

**Hillier Parker**  
PROPERTY ADVISERS  
London - West End & City  
Edinburgh, Paris, Amsterdam,  
Sydney, Melbourne, Brisbane

# FINANCIAL TIMES

No. 27,612 Monday July 17 1978 \*\* 15p

**Thwaites**  
All drive 6000 Dumper.  
Thwaites Engineering Co. Ltd.  
Leamington Spa, England  
Tel: 0454 22471

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 3.5; FRANCE Fr 3.8; GERMANY DM 2.0; ITALY L 500; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 20; SPAIN Pta 40; SWEDEN Kr 2.25; SWITZERLAND Fr 2.0; EIRE 15p

## NEWS SUMMARY

### GENERAL

#### Soviet rebels: Carter pledge

President Carter and his wife Rosalynn have promised the life of jailed Russian dissident Anatoly Shebaransky all possible public and private help.

The Carter Administration is now considering banning sales of U.S. technology to Russia, another possibility is that two Russian employees at the UN, who face charges of spying on the U.S., might be swapped for Mr. Shebaransky.

Meanwhile, Switzerland says it prepared to grant asylum to all dissidents in the Soviet Union currently standing trial or ready sentenced. Page 2

#### an-African force

Zimbabwe's President Kaunda's formation of a pan-African force to "forge Africanity and defend the continent against white racism." The President also said he hoped the formation of African Unity would declare its support of the Zimbabwe Patriotic Front.

#### ights delayed

engers planning to fly from tugal and the South of France d delays of up to 11 hours the strike by Continental air e controllers continued. Page 2

#### avis Cup

ain completed a 3-2 win France in their Davis Cup in Paris. Buster Mottram t Eric Delebecq but John d lost to Yannick Noah. rt, Page 8

#### urth channel

Government's White Paper broadcasting is likely to mment that the proposed n by an Open Broadcasting urity, independent of both and ITV. Page 4

#### ess solution

World Chess Championship he Philippines was salvaged night by a decision that both t champion Anatoly Karpov t Russian defender Viktor hnoi must play for the title nd displaying the traditional ay under a Swiss flag but Russians insisted that he ld play under a flag stamped eless.

#### ck to steam

sh Rail is building its first ae steamer for the cruise for y 20 years. It is a full-size y of Sans Pareil which was 150 years ago. Apprentices uilding the replica as part r trainings

#### elly...

Restomani, Ferrari, won 78 British Grand Prix. Niki r. Brabham, was second nnn Watson, Brabham, was

10 weekly premium bond won by London holder of 635 958595.

Europe's only Communist-overnment takes power in lartino today.

ian police have arrested 15 after seizing 18 tons of ana as it was being un-off Vancouver Island.

orkers are being discrimi-against by building es because of uncertainty their jobs, says Mr. Roy, Labour MP for Newport, e attended a Bob concert at Blackbushe.

onds and a brunette have d the Los Angeles Rams team of sex discrimination- (the three men were turned for the team's chorus of raders.

ne workmen have un- l what may be ruins of mp from which Julius invaded Britain in 55BC.

### BUSINESS

#### Nigeria taxes foreign airlines

NIGERIA is introducing heavy taxation on foreign airlines and shipping companies, a move observers see as an attempt to raise extra revenue from foreign companies and discouraging imports.

Nigeria has run into balance of payments difficulties this year due to falling oil revenues and has banned some imports. Britain exported more than £1.1bn worth of goods to Nigeria last year.

The tax on the two types of companies is set at 10 per cent of their Nigerian turnover on any cash they remit out of the country, and is described as an interim measure. Back Page

#### GOVERNMENT may shelve its plans for a \$5bn North Sea gas gathering pipeline network, following an adverse industry report to be published this week.

Instead, the Energy Department is likely to sanction a more modest scheme for linking fields to existing gas pipelines at a cost of nearer £1bn. Back Page

#### TRADE SECRETARY Mr. Edmund Dell is to meet a deputation of MPs protesting at the announcement by the Japanese Colt Cars company that it is to strengthen its UK dealer network.

The delegation maintains that the decision flies in the face of agreements with the Japanese Government to limit the shipment of Japanese cars to the UK.

#### TURKEY plans to raise a \$100m loan from international banks, guaranteed by the Libyan Arab Foreign Bank. The loan will be for five years at 1 and 1 of a point over interbank rate. Back Page, Euromarket Page 36

#### CONTINENTAL OIL and its North Sea partners have deferred any decision to develop Hutton Field, disappointing offshore equipment suppliers who were waiting for a resurgence of orders from field developers. Page 4

#### EUROPEAN Options Exchange, which this year opened Europe's first venture in traded share options, is planning to increase its business by the introduction of put trading in October. Back and Page 31

#### Corporate health

LEADING medical insurance have shown that—according to latest membership figures—the use of medical insurance as a fringe benefit for employees is increasing. While individual membership figures show a continued decline, group membership of the three leading agencies increased by over 27,000 in the first half of this year. Back Page

#### Rights for cardholders

ACCESS and Barclaycard holders may gain new statutory protection against faulty goods under the terms of the Consumer Credit Act as a result of talks between the banks and the Office of Fair Trading. Back Page

#### MR. VICTOR ROBINSON, a director of Davy International Projects, is to be the Department of Trade's industrial adviser for the next two or three years. Page 4

#### OXFAM has increased its total income by 19 per cent last year to £7.85m, and sent £4.55m overseas. The charity organisation's annual accounts showed that it kept ahead of inflation for the first time for several years largely due to its operation of a national shop network. Page 4

#### COMPANIES

ERNEST JONES (Jewellers) is to make a £173m issue of 1.5m ordinary 10p shares priced at 115p. Page 32



Facing the same way—Mr. Roy Jenkins (EEC), Mr. Takeo Fukuda (Japan), Sig. Giulio Andreotti (Italy), President Carter (U.S.), Herr Helmut Schmidt (West Germany), President Giscard d'Estaing (France), Mr. James Callaghan (UK) and Mr. Pierre Trudeau (Canada).

## 'Far-reaching measure of agreement' at summit

BY FINANCIAL TIMES REPORTERS: Bonn, July 16

THE SEVEN Government leaders attending the Western economic summit here were tonight claiming a "far-reaching measure of agreement" on the central issues of economic growth, energy and inflation.

Chancellor Helmut Schmidt of West Germany said that the final communiqué would include a number of specific statements about the future economic policy of each individual country.

This was being presented to tonight as an "action programme without targets." It would include explicit commitments and would not be just a general statement of aims of the kind published after the last world summit in London just over a year ago.

The significance of the possible package deal was underlined by the news that Chancellor Schmidt was unexpectedly consulting his senior Cabinet colleagues on the position which his Government should adopt in the closing session of the talks tomorrow.

There were also reports that Prime Minister Mr. Takeo Fukuda of Japan was in touch by telephone with members of his Cabinet in Tokyo.

An understanding appears to have emerged between Chancellor Schmidt and President Carter during the latter's State visit here over the past two days. It is intended to ease the recent friction between the two Governments over a wide range of issues.

In particular, President Carter has not been pressed by any of his fellow leaders to give any major new commitments over energy policy.

They are said to have been sympathetic towards his constitutional and political problems with Congress and to have accepted at face value his assurances that he would continue to seek approval of the remainder of the energy bill.

Mr. Michael Blumenthal, U.S. Secretary of the Treasury, said that the President's statement seemed to satisfy his colleagues. But he added: "Why they are satisfied, I really can't tell you."

President Carter told the meeting that he intended to tighten fiscal policy to reduce inflation. He wanted to cut the budget deficit significantly during the next fiscal year starting in October and "even more significantly" in 1979-80.

The precise nature of the contributions which other Governments would make to an overall package deal also remained unclear this evening, although it is understood that these would vary depending on the particular position of individual countries.

In the case of Germany, it is now known that senior officials are working on several models for consideration by the Cabinet at the end of this month. These would include, with varying emphasis, tax reforms, subsidies for industrial research and development and modest increases in social spending.

The question of international trade has not yet been discussed in any detail, and therefore the concessions which Japan is prepared to make remain uncertain. However, other Governments' responses will undoubtedly be critically influenced by the extent of Japan's precise underlings on the reduction of its current account surplus.

France has already displayed marked dissatisfaction with the shape of the interim agreement reached between the main industrialised countries in the GATT multilateral trade talks last week. Both France and Britain believe

## Israeli Cabinet delays a decision on new Egyptian peace plans

BY DAVID LENNON

THE ISRAELI Cabinet today deferred a decision on new Egyptian peace proposals until after the meeting in Britain this week of the Egyptian and Israeli Foreign Ministers. The delay appears to have stemmed partly from a row among Ministers over the last week's meeting in Austria between Mr. Ezer Weizman, Defence Minister, and President Anwar Sadat of Egypt.

Some Ministers—angered by President Sadat's refusal to meet Mr. Menachem Begin, Prime Minister—said that Mr. Weizman should not have gone to Salzburg for the meeting. Mr. Weizman was reported later to have accused his critics of jealousy.

Details of the new Egyptian proposals were not made public. But, according to earlier reports, the Defence Minister was given the impression by President Sadat that Egypt would adopt a more flexible position in negotiations over the West Bank than apparent from the six-point plan made public two weeks ago.

In the light of this, it had been expected that the Cabinet would issue new guidelines to Mr. Moshe Dayan, Foreign Minister, before he left for the meeting in Britain with Mr. Mohammed Ibrahim Kamel, the Egyptian Foreign Minister and

Mr. Cyrus Vance, U.S. Secretary of State.

However, Mr. Begin said that new instructions were not given to Mr. Dayan, thus compounding

### Leeds Castle confirmed

THE TWO-DAY meeting of the Israeli, Egyptian and U.S. Foreign Ministers which begins tomorrow is to be held at Leeds Castle, Kent, the U.S. Embassy, in London, confirmed last night. The meeting was to have been held in a London hotel but the switch has been made because of fears for security in view of the number of Arab terrorists believed to be in the capital. The grounds of the castle have been closed to the public and will stay closed until Thursday.

Mr. Weizman, apparently still angry over the attack on him in Cabinet, this afternoon refused to report on his Salzburg meeting to the Knesset foreign affairs and defence committee. He told the committee that if it wanted information it should ask the Prime Minister for a briefing.

The Defence Minister was at the centre of a row in Cabinet only a few weeks ago over his reply to American questions about the future of the West Bank and Gaza Strip. He was later reported to have said the

## White Paper will ignore Carter proposals to split Post Office

BY JOHN LLOYD

THE GOVERNMENT'S White Paper on the Post Office, half-way through its first year. It is understood, however, that the Carter committee has managed to have some of its less-dramatic proposals accepted. A number of these have already been incorporated into Post Office practice.

These are thought to include:

- A more devolved managerial structure. The Carter committee criticised the Post Office for over-centralisation and recommended that more power and initiative be given to regional and area-level management.
- Under the chairmanship of Sir William Barlow, who took over from Sir William Ryland in November last year, this has largely happened.
- Earlier this year, head postmen were given an opportunity to bid for money which they could spend as they wished on improving their services with the sole requirement of showing a reasonable return on the capital they employed.
- The strengthening of the System X management team. System X, the all-electronic exchange scheduled for general use by the early 1980s, has suffered a series of delays in part because three competing suppliers are involved in its development.
- In April, the Post Office established an Integrated Systems Department, headed by Mr. John

Martin, to oversee and speed up System X development.

Internal efficiency audits. A major point made by Carter was the lack of internal efficiency indicators which could give management and staff a more precise impression of its own productivity.

A committee has been set up, which includes the two board members representing the consumer interest—Mrs. Janice Walsh and Lord Winstanley—and Mr. Michael Posner, the Cambridge economist and former Government adviser who is a part-time board member, to act as an efficiency monitor.

More competitive pricing. The Carter report criticised the rigid pricing system adopted by the Post Office, and recommended the adoption of short-run marginal cost pricing for a number of postal and parcel services. This would mean that regional and area management could set prices based largely on the extra marginal cost incurred by offering extra services.

To a large extent, the corporation has brought in this principle, and was doing so while the Carter committee reported. However, it is constrained by its statutory duty not to discriminate on pricing between regions, and has in practice remained cautious, or at least discreet, about its new schemes.

## TUC will avoid fight over pay

BY CHRISTIAN TYLER, LABOUR EDITOR

TUC RESISTANCE to the Prime Minister's plans for Phase Four of the incomes policy is likely to evaporate this week in the face of a possible autumn General Election.

Mr. James Callaghan and other Ministers meet the TUC general council tomorrow to explain the contents of the White Paper on which exceed the norm. Ministers pay and the economy. In spite of protests last week at the hard wording of the paper, but is unlikely to alter its contents.

Such negotiations as there has been, in private meetings of the "Neddy Six" TUC leaders with Ministers, is over—and no obvious concession has been made.

Tomorrow's meeting, like that on the following day with the Confederation of British Industry, could influence the final wording of the paper, but is unlikely to alter its contents.

The TUC can claim to have had nothing to do with the Government's strategy. At the same time, union leaders yesterday recognised that the die is cast and that Mr. Callaghan is ready to risk objections that such a tough pay limit will anger activists when it comes to the election campaign.

Mr. Callaghan made his tactics clear when he addressed Durham miners' gala on Saturday. Reduction of the inflation rate from 17.7 per cent at this time last year to 7.4 per cent today was a success for the whole British people, he said.

"During recent weeks the Jeremiahs on the Tory front bench have been at it again, predicting another explosion. The British people can prove them wrong for the third time."

He would meet the TUC general council "to exchange views on how best we can ensure that we go on reaping these benefits in 1979 and into the 1980s. The prospects are good. We must not throw them away or hand them over to those who do not share our aims and aspirations."

Ministers will try to couch that part of the White Paper dealing with the shorter working week in terms which do not entirely demolish the TUC's case. But, the underlying message is that no addition to unit costs can be afforded, and that if negotiators want to take a cut in hours that must be seen as part of the wage deal, not an addition to it.

## Only 5%

The Confederation was still concerned at the weekend that Mr. Callaghan would weaken the TUC's demand for a shorter working week without loss of pay. It circulated a detailed summary of its case against such a concession, saying that the price of giving in was even higher than that which would be paid for the reduction of its current account surplus.

A decision has not been made yet what earnings target to put in the White Paper. Mr. Callaghan is thinking of as little as 5 per cent, half the Phase Three figure, but it is not clear whether this would give scope for treatment of anomalies, in which the White Paper is expected to refer.

Likewise, a decision has not been made whether to legislate for further dividend control, even though the Government might be able to count on Liberal support. Union leaders, who have made no great public representations about dividends, have been told that the Government "will push through legislation if it can."

Although officially ignorant of any pay target, the TUC will be grateful if the target is presented as one figure and not split into x per cent for wages generally and y per cent for treatment of anomalies. Such division could involve the Government and unions in formal bodies to adjudicate on anomalies, as well as inspire every group of workers to justify its own case for special treatment.

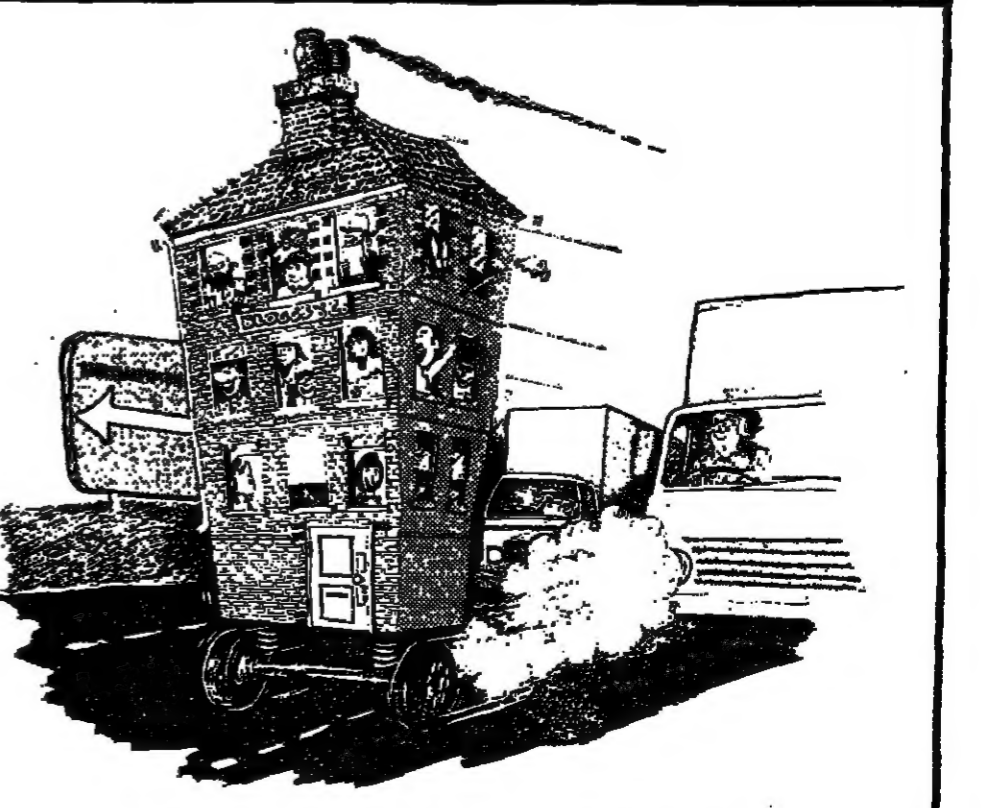
Other elements from the Phase Three policy, such as the

Oil plans

The "understanding" with the TUC for which the Government hoped—while all along admitting that there would not be a formal deal—does not seem to have materialised out of the private exchanges.

But, both sides can fall back on the TUC-Labour Party liaison committee's document, Into the Eighties: An Agreement, which deals only cursorily with pay but sets out broad economic objectives, for instance on the treatment of North Sea oil revenue.

CBI statement, Page 4



## Get your office moving up the M1

Actually we told Mr Bloggs he didn't need to bring the office with him. Since 1970 1 million sq ft of office development has been added to the 1.25 million sq ft previously occupied in Northampton's town centre, and a further 1.5 million sq ft is still being developed. Campus sites are also available on the major industrial development at Moulton Park.

As well as Northampton's central location, affording ease of access and distribution to all parts of the country, there are substantial savings to be made. Office concerns relocating from Central London can save up to 70% of their expenditure on rent and rates alone.

Northampton has tremendous advantages to offer firms wishing to relocate their offices. The expansion of this historic county town means excellent homes for your staff to rent or buy, new shops, new schools and new opportunities for growth and success. Its labour relations record is amongst the best in the country.

For further details phone 0604 34734 or write to: L Austin-Crowe, Chief Estate Surveyor, Northampton Development Corporation, 2-3 Market Square, Northampton NN1 2EN.

### CONTENTS OF TODAY'S ISSUE

Business news	2	Arts page	9
Trade news	3	Leader page	10
News—general	4	U.K. companies	13
—labour	4	International companies	33
—mining	5	Foreign Exchanges	33
Legal page	7	Mining Notebook	33
Comment page	7		

### FEATURES

Jobs: The logjam	10	Competition: the blind spot of British industry	7
Spice to Dutch	31	Week in the courts	7
		FT SURVEY	11-30
US	4	Letters	31
Japan	4	Less	32
France	4	Lombard	32
Germany	4	Wendell	32
Italy	4	Parliamentary Diary	33
Spain	4	Share Information	33
Switzerland	4	Short	33
Sweden	4	Today's Events	33

For latest Share Index phone 01-246 5036

## OVERSEAS NEWS

## Nigeria to abolish state military governors

BY OUR OWN CORRESPONDENT

LAGOS, July 16.

THE NIGERIAN Government is to abolish the post of state military governor under a programme of measures announced this weekend to disengage the military from political life and pave the way for the return to civilian rule scheduled for next year.

The governors—whose positions will be abolished with effect from July 24—will be redeployed to military duties. The governors' functions will, however, remain in military hands. They will be taken over by brigade and garrison commanders, who will be designated military administrators, Lt-Gen. Olusegun Obasanjo, Nigeria's head of state, announced in a special broadcast.

Each administrator will be assisted by a civilian deputy chairman who will be expected to participate in politics in the period immediately after the return to civilian rule.

The administrators will also continue to employ the services of the existing civil and military commissioners; but any of these who wish to participate in the coming civilian government will be allowed to quit their jobs.

Lt-Gen. Obasanjo declared that his administration had no interest in partisan politics and would not tolerate anyone using its members' names to canvass for political support, or thwart the timetable for a return to political rule.

The Head of State said that

the military commissioners operating on a federal level would also be redeployed from July 24; but officers holding political offices would not be redeployed back into purely military roles.

Lt-Gen. Obasanjo reiterated his commitment to a return to civilian rule. "This administration," he said, "is committed to bringing about an elected government in 1979 through a peaceful process of free and fair elections, and we will not tolerate from any person or group any act that is capable of diverting us from this goal."

The current ban on politics, he said, would be lifted as soon as the ruling Supreme Military Council endorses the new constitution.

## Carter trip hailed by West Germans

By Jonathan Carr

BONN, July 16.

THE VISIT by President Jimmy Carter to West Germany—capped by a jubilant trip to Bonn—has been hailed here this weekend as a personal success for the U.S. President and a boost to ties between Bonn and Washington.

Officials here do not claim that the course of the trip since Mr. Carter arrived here on Thursday evening in itself can clear away the known differences between the two sides on economic policy.

Nonetheless, it is suggested that the President's trip, including his bilateral talks with Chancellor Helmut Schmidt, has improved the atmosphere for the start here today of the seven-nation Western economic summit.

Both leaders have been at pains to try to demonstrate publicly better personal ties than existed between them in the first strained months after Mr. Carter took office.

The high point of Mr. Carter's visit was his trip to Berlin, where he renewed America's pledge to defend the city.

He spontaneously answered questions from Berliners in the city's Congress Hall and visited the Berlin Wall—part of which had just been painted white.

In an address at the memorial to the Berlin airlift, and in words recalling President John F. Kennedy's "Ich bin ein Berliner" 15 years before, Mr. Carter announced "was immer sei, Berlin bleibt frei" (whatever happens, Berlin will remain free). A triumphal drive in an open car along one of the city's main avenues concluded the trip.

Herr Schmidt described the visit as "good for Mr. Carter, good for Berlin, good for everyone." But during it the East Germans delayed traffic for hours on the transit routes from the West and protested against Herr Schmidt's visit to the city with Mr. Carter.

Both East Germany and the Soviet Union say that the Chancellor's presence contravened the Four-Power Berlin Accord—a claim promptly rejected by the U.S., Britain and France.

## SUMMIT NOTEBOOK

## Full membership for Jenkins

ONE OF the events in Bonn which is unlikely to capture any headlines but which nonetheless reflects a significant change in the political tides of Europe is the acceptance of Roy Jenkins as a proper member of the Summit Club.

But as President of the Brussels Commission, Mr. Jenkins is entitled to play a full part in the talks and to speak up to behalf of the EEC.

He has even been honoured with elegant lodgings at Schloss Gynsheim, the small palace near Bonn, reserved for visiting official dignitaries.

Only just over a year ago, Mr. Jenkins had to fight hard against French and British opposition to gain access to the last Western summit in London. Even then, he was systematically excluded from those parts of the discussions which fell outside EEC jurisdiction and spent long hours kicking his heels in his hotel room. At a closing press conference, he was permitted to sit at the top table but was not invited to speak; indeed, he was the only participant without a microphone.

Within the past few months, however, Mr. Jenkins's standing on the European scene has improved immeasurably and he now enjoys close relations with both President Giscard d'Estaing and Chancellor Helmut Schmidt. He came to Bonn buoyed up by the acceptance of EEC leaders in Bremen ten days' ago of a currency plan along lines which he has been advocating since last autumn. At the Bremen meeting, of course, Mr. James Callaghan agreed to go along with the plan only under intense pressure from other government leaders. As he eyes his former Cabinet colleague across the conference table in Bonn, Mr. Jenkins may be excused for wondering which of them is now the odd man out.

DESPITE A population of almost 300,000 and the presence of arguably the most powerful government in Western Europe, Bonn has yet to shake off a reputation as an overgrown village.

The first-time visitor is struck by the sleepy, provincial atmosphere of the place, and it is still the butt of unkind jokes by its residents. A favourite story concerns the visiting businessman who declines to be seen by some female companionship to while away the nocturnal hours. Inquiring at his hotel, he is told by an apologetic receptionist: "I'm sorry, sir, but the lady has gone to Cologne tonight."

Unperturbed by such jibes, the city fathers have decided to put in a brave show to welcome the seven government leaders attending the talks and the roughly 2,500 journalists covering them. Special lapel badges have been run up by the "O" in Bonn replaced by a pair of voluptuous pursed lips. These have been handed out together with a record of the Moonlight Sonata by Beethoven who was born here but was lured away at an early age by the gaudier attractions of Vienna.

Local business has found its most prolific expression, however, in a 13-page guide entitled



British Chancellor of the Exchequer Denis Healey takes a quick snapshot of (from left to right) Prime Minister Takeo Fukuda of Japan, President Jimmy Carter, Chancellor Helmut Schmidt, Mr. James Callaghan, and M. Jean Chretien, the Canadian Finance Minister.

"Bonn is just a federal capital." This assertion is backed up by a veritable avalanche of facts. For example, in relation to its population, Bonn has Germany's largest uninterrupted pedestrian zone, the third highest traffic density, the most university graduates, the largest total swimming pool area, the largest surface area devoted to sports, the highest growth rate in gross income, and the greatest amount of housing area per inhabitant in North Rhine-Westphalia.

Reeling before this awesome catalogue of achievement, it is tempting for the reader to forget that one of the main ostensible purposes of the current two-day summit is to try to hammer out some form of Western solution to prevent the world from relaxing into recession and protectionism.

THE EASE with which journalists and political advisers swap roles nowadays can be confusing. At the summit, Mr. Joe Haines, Sir Harold Wilson's former Press secretary at No. 10 Downing Street, is to be seen chatting happily with members of the Parliamentary lobby—a group with whom he used to have bitter and frequent battles in the old days.

Beyond that, Count Lambsdorff has a big domestic political stake in the success of the summit. He is being increasingly widely seen as the "crown prince" in the Liberal Free Democratic Party (FDP), the junior partner in the coalition government. Recently he has been repeatedly urging tax cuts—particularly for enterprises—to help the West German economy grow faster. It will tell strongly in his favour if such cuts emerge from Cabinet talks at the end of this month. It will do him no good at all if—after all the talk—very little results.

That in turn depends greatly on the summit. A successful package deal there implies German commitment to further growth measures. The absence

of a deal could well mean that new German action on growth will be minimal. Herr Matthöfer has quite different ideas from the Economics Minister on what new steps should be taken. Chancellor Helmut Schmidt is not keen on seeing any further Government borrowing which might push up interest rates.

The upshot is that while Count Lambsdorff has now won his seat at the summit—there is reason to think that he must be sitting on the very edge of it.

A technical error? A political snub? Whatever the answer Count Lambsdorff clearly

deserves his place. He stuck his neck out in the last few days to say he believed the summit was "doomed to success." That is considerably further than his Cabinet colleagues were willing to go.

FOR THE 2,500 or so journalists in Bonn, the summit is in many respects rather like a gigantic fun fair with the main attractions spread over an area nearly as large as Regent's Park—a kind of Disneyland by the Rhine. The hosts laid out extensive Press facilities in a series of federal government and parliamentary buildings at least five minutes' walk apart and groups of journalists could be seen strolling for most of the day between one or other of the three Press centres and the several individual briefing rooms, looking, largely fruitlessly, for information from the many spokesmen available.

Least anyone forget that there is a world outside the summit clocks have been put up showing the times across the globe, though this is of little comfort to the many Japanese journalists who at luncheon were looking worried, without any news as their deadlines approached in Tokyo, which is eight hours ahead. The hosts have even extended the massive security operation to cover the Press centres, so that to get into any of the buildings it is necessary to show both a Press pass and a passport and walk past border police armed with sub-machine guns. It is now quite clear whether the police are protecting the journalists from the public, or vice versa.

## Lebanon outlook still uncertain as Sarkis drops resignation

BY IHSAN HJAZI

BEIRUT, July 16.

LEBANON breathed in comfort after President Elias Sarkis announced last night that he was not resigning. However, there is a general feeling of uncertainty about the future.

In a broadcast to the nation, Mr. Sarkis said that national, Arab and international appeals convinced him to withdraw his threat to step down, but warned that he will not agree to a return to the conditions which had prompted him to consider resigning in the first place.

It was reported in the Press today that President Sarkis, who is nominally the commander-in-chief of the Arab force, is working on a plan which would remove Syrian troops from Beirut and its suburbs and assign law-and-order duties here to Lebanese gendarmes and restructured units of the Lebanese army.

The 52-year-old President, who has served 30 months of his six-year term in office, threatened to quit earlier this month at the height of fierce fighting between Syrian troops of the Arab League peace-keeping force and Christian militias of the Phalanga Party. The President's threat helped to put an end to the hostilities and headed off an all-out confrontation between Syria and Israel, which made threatening statements in support of the Christians.

In his radio and television speech, President Sarkis came very close to telling the country that its main problem—the concentration of weapons in civilian hands—is insoluble for the time being.

He said that disarming Lebanon is not possible as long as large quantities of weapons remain in the hands of Palestinian guerrillas here.

The President, however, intends to go ahead with building a strong national army by providing the necessary weapons and equipment, and enforcing obligatory military service.

The most educated opinion here is that President Sarkis changed his mind about resigning to avert a complete disintegration of Lebanon. His resignation would have ended the only legitimate authorities however weak in existence in the country at present.

While indirectly blaming the guerrilla presence here for a great deal of Lebanon's problems, Mr. Sarkis had only favourable words to say about the 30,000 Syrian troops forming the backbone of the Arab peace-keeping force.

He said the troops are for the time being the legitimate army of Lebanon and that nothing must disturb the good relations between Lebanese and Syrians.

## Rhodesian fear of tribal conflict

BY OUR OWN CORRESPONDENT

SALISBURY, July 16.

RHODESIAN GOVERNMENT sources are expressing concern about mounting violence between the main tribal groups after the latest guerrilla massacre of black civilians.

In the killings, which took place on Friday, 17 blacks including nine children were murdered by guerrillas loyal to Mr. Joshua Nkomo. The attack took place in the Zwimba tribal trust land some 40 miles south of Sinola. The area is populated by Shona people but the massacre was carried out by guerrillas from the Ndebele tribe.

The massacre is the fourth of its kind within three weeks. The victims were shot, bayoneted and burned to death while children who ran out of the blazing huts were shot down by Mr. Nkomo's men.

There have been several reported clashes between Mr. Nkomo's ZIPRA guerrillas and those of ZANLA loyal to Mr. Robert Mugabe. Mr. Nkomo's partner in the militant Patriotic Front. The Transitional Government's joint Foreign Minister,

Mr. Pieter van der Byl, described these clashes as incipient civil war.

The guerrillas responsible for the murders this weekend have been operating in the area for some time and are known to have committed at least four other murders in the past 10 days. Villagers in the area are said to support either Bishop Abel Muzorewa or the Reverend Ndabingwe Sithole, both signatories to the internal settlement which the Patriotic Front is working to destroy.

At the scene of the massacre, Mr. van der Byl sharply attacked Mr. Andrew Young, the U.S. Ambassador to the United Nations. He recalled Mr. Young's admission in Salisbury in April when he said that Mr. Mugabe and Mr. Nkomo were fighting for personal power. The world should realise this, Mr. van der Byl said, and accept that the Patriotic Front was not a liberation movement.

So embittered have tribal and party rivalries in Rhodesia become that there are even suggestions that the massacre was

carried out by freelance terrorists of the Ndebele tribe operating on behalf of the United African National Council of Bishop Muzorewa.

One survivor made this claim saying that the village was attacked by guerrillas because its headman had altered his political allegiance from the Bishop to Mr. Sithole. But security forces lay the blame squarely on Mr. Nkomo's group and see it as part of the larger tribal struggle between Shona and Ndebele which many fear may yet envelope the country.

Our Foreign Staff adds: Mr. John Davies, Britain's Shadow Foreign Secretary, says lifting sanctions against Rhodesia now would inhibit any prospect of a reconciliation between the contending parties. But he believes the removal of sanctions as soon as a Rhodesian election has taken place in fair and free conditions should be the clear objective.

Mr. Davies said in a prepared statement that the British Government should make a confident but determined effort to reconcile the contending parties.

## New threat to French flights

By David White

PARIS, July 16.

AIR TRAFFIC controllers in the south of France are threatening to repeat the work-to-rule which yesterday disrupted holiday flights and caused long delays for, among others, passengers from London bound for Spain and Italy.

Union representatives at the control centre of Aix-en-Provence, responsible for surveillance of the whole southern France region, said they planned to work to rule again over the whole of next week and the following weekend, which will be one of the heaviest for holiday traffic.

It is precisely the July-August build-up which has provoked the latest instalment in the dispute, the controllers claiming that their manning levels are inadequate to deal with the number of flights, up to four times the normal traffic.

## Professor joins dissident group

BY DAVID SATTER

MOSCOW, July 16.

DESPITE THE long prison and labour camp sentences imposed on its three most prominent members, the Moscow-based Helsinki agreement monitoring group has announced the appointment of a new member and called on world opinion not to weaken in its defence of human rights.

The Communist Party newspaper Pravda at the same time, said that "anti-Sovietism" under the "pretext" of defence of human rights is "becoming an uncontrollable process."

At a Press conference at the home of Dr. Andrei Sakharov, the Nobel Peace Prize winner, on Saturday, the Helsinki group continued to violate the humanitarian provisions of the Helsinki agreement and called for Helsinki signatory nations to insist on Soviet compliance.

Dr. Sakharov, in an appeal to the United Nations and Amnesty International, said that the sen-

tences given to Mr. Anatoly Shebaransky, Mr. Alexander Ginzburg, and Mr. Viktor Pyatkov were a challenge to all the Helsinki signatories.

He called on the signatory nations to support the imprisoned dissidents and said the adverse international reaction to their trials shows that "on this occasion the authorities have met resolute and universal condemnation which they will find difficult to ignore."

Miss Yelena Bonner, Dr. Sakharov's wife, announced that Professor Sergei Polikanov, a nuclear physicist and correspondent, was joining the Soviet Academy of Sciences, was joining the Helsinki group which will now have seven active members.

Professor Polikanov was expelled from the Communist Party earlier this year after holding a news conference for foreign reporters.

David Suchan adds from

Washington: A ban on pending sales of U.S. technology to the Soviet Union and a swap of two Russians charged with spying in the U.S. for Mr. Anatoly Shebaransky are two possible responses to last week's sentences on Soviet dissidents now being weighed by the Carter administration.

The Senate majority leader, Mr. Robert Byrd, told reporters yesterday, after telephoning the President on Friday, that the Administration had decided to hold up the sales of a Sperry Univac computer and of oil drilling equipment to the Soviet Union.

State Department officials here could not confirm this today, and Secretary of State Mr. Cyrus Vance is reported to feel that such action would only reduce American leverage with the Soviet regime.

Two Russian employees of the United Nations are at the moment on bail in the U.S., facing charges of spying. The fact that they have yet to stand trial here would not of itself rule out their being swapped for Mr. Shebaransky, officials said. But the same officials considered that it was probably too soon after last Friday's verdict for the Russians to decide whether they would want to let Mr. Shebaransky go.

## Setback for Mrs. Gandhi

Mrs. Indira Gandhi, the former Indian Prime Minister, suffered a political setback yesterday when the official Congress Party announced it was withdrawing from a coalition Government with Mrs. Gandhi's breakaway Congress (I) Party in Maharashtra State. Reuter reports from New Delhi. The Chief Minister of Maharashtra, Mr. Vasantrao Patil, was expected to submit his resignation almost immediately.

Chinese experts leave Peking announced that Chinese experts working on aid projects in Albania would leave Tirana for home tomorrow and on Thursday. Reuter reports from Hong Kong. The report said the New China News Agency had announced that the first group of 31 Albanian trainees in China had left Peking last week. The remaining Albanian students and trainees would fly back to Tirana on Friday. China announced last week that it had stopped all economic and military aid to Albania.

## Protest to Malta

The British High Commission in Valletta has protested to the Maltese Government over the closing down of the British Forces broadcasting station in the island. The closure was ordered by Mr. Dom Mintoff, the Maltese Prime Minister, and is the latest in a series of moves against British journalists.

These Bonds having been sold, this announcement appears as a matter of record only.

FL

F.L. SMITH & CO. A/S

(Incorporated in the Kingdom of Denmark with limited liability)

U.S. \$20,000,000

9½ PER CENT BONDS DUE 1988

ISSUE PRICE 100 PER CENT

Interest payable 1st January and 1st July

Chase Manhattan Limited  
Banque Bruxelles Lambert S.A.  
Bayerische Vereinsbank  
First Boston (Europe) Limited  
Sumitomo Finance International

Copenhagen Handelsbank  
Banque Nationale de Paris  
Deutsche Bank Aktiengesellschaft  
Nordic Bank Limited  
Swiss Bank Corporation (Overseas) Limited  
S. G. Warburg & Co. Ltd.

Banca del Gottardo  
Banque Internationale à Luxembourg S.A.  
Kreditbank (Suisse) SA  
Scandinavian Bank Limited

Banca della Svizzera Italiana, Lugano  
Kidder Peabody International Limited  
Nordfinanz-Bank Zuerich  
Société Bancaire Barclays (Suisse) SA

July, 1978

## Basques urge withdrawal of paramilitary police

BY DAVID GARDNER

SAN SEBASTIAN, July 16.

DEMONSTRATORS TURNED out in force in the streets of San Sebastian today, in protest at the death of two young Basques, in Pamplona and San Sebastian last week, and the injuries to nearly 200 others in confrontations with the police. The Civil Government undertook to ensure that police would be kept away from the scene and the demonstration took place without the barricades and bitter fighting seen in the Basque country throughout last week.

However, this did not prevent the 15,000 demonstrators, representing nearly all parties in the area, from calling repeatedly for the dissolution of the paramilitary police forces, or at the least their withdrawal from the Basque country, and from demanding the resignation of the Interior Minister Sr. Martin Villa.

Yesterday afternoon in Pamplona these demands were stressed by the multi-party committee investigating incidents that took place last Saturday during the festival of "San Fermín," when police stormed the bull-ring and set in motion the events which led to last week's violence.

Feelings are still running high in the Basque country, and the Government is faced with a difficult problem in the control and disposition of its police here. Last night in Renteria, the town between San Sebastian and the French border which was sacked by a company of riot police on Thursday, the townspeople split into two demonstrations, the larger of which called heatedly for the Basque nationalist guerrillas of ETA to avenge them.

It is unlikely that ETA needs any prompting and local attention is as much concentrated on the guerrilla organisation's forthcoming actions as on the exemplary punishment promised by the Government for those police officers involved in last week's incidents in Renteria. Jimmy Burns reports from Madrid: The Spanish Government has removed Sr. Ignacio Liano from his post as Civil Governor of the Basque province of Navarre. It was announced after a Cabinet meeting last night that Sr. Liano would be replaced by Sr. Eduardo Fernán, a 32-year-old lawyer who has worked closely with Sr. Adolfo Suarez, the Prime Minister.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

## MOOLOYA INVESTMENTS LIMITED

Issue of up to

£1,025,700 12 per cent. Partly Convertible Unsecured Loan

Stock 1986/88 in connection with the acquisition of

Customagic Manufacturing Company Limited

The above Stock has been admitted to the Official List by the Council of The Stock Exchange.

Particulars of the Stock have been circulated in the Extel statistical service. Copies of the particulars may be obtained during normal business hours on any weekday, except Saturday, up to and including 31st July, 1978 from—

CHARTERHOUSE JAFRET LIMITED  
1 Paternoster Row, St. Paul's  
London EC4M 7DR

SCHAEFER & CO.  
184 Bedford Street  
London EC1R 6BN

WORLD TRADE NEWS

# \$2.5bn coal and ore pact between Brazil, Poland

BY DIANA SMITH

RIO DE JANEIRO, July 16.

FOLLOWING A recent general agreement on \$300m of two-way trade over the next three years, Brazil and Poland have signed an additional agreement involving \$2.5bn in exchanges of Brazilian iron ore and Polish metallurgical coal between now and 1990.

The total volume covered by the agreement is 70m tonnes, of which 50m tonnes of iron ore will be imported by Brazil from Poland, and 20m tonnes of metallurgical coal will be imported by Poland from Brazil.

Under the agreement, Brazil will supply 10 per cent of Poland's coal requirements, while Poland will supply 10 per cent of Brazil's iron ore requirements.

The agreement is seen as a significant step towards normalising trade relations between the two countries, which have been at odds since 1974, when Poland's coal exports to Brazil were suspended.

At the beginning of this decade, Brazil was almost totally reliant on the U.S. for outside supplies of coal. Recurrent U.S. miners' strikes have led officials to try rapidly to diversify sources, and having found that Polish coal was of good quality, and its rate of supply consistent, they have relied more heavily on these supplies.

This year, Canada will supply 10 per cent of Brazil's coal imports, West Germany 4 per cent, and Australia 2 per cent, with a new long term contract with Australia's Broken Hill Proprietary Company for 5m tonnes starting in 1980, this ratio will alter.

CVRD (Companhia Vale do Rio Doce) Brazil's State mining conglomerate, which exported 50.6m tonnes of iron ore (\$817m) in 1977, sold 28m tonnes of ore (silver lead and pellets) abroad in the first half of 1978—a 17 per cent increase in volume compared with January-June 1977.

Faced with low selling prices—\$24 a tonne for silver lead and \$25 a tonne for pellets (compared with \$15 and \$30 a tonne, respectively, in 1976) CVRD is now renegotiating contracts with its customers in the hope of raising the average price.

This year, Japan will take 18m tonnes, and Europe 24.5m tonnes of ore from CVRD despite the steel crisis.

CVRD's plans to increase its present 50m tonnes annual iron ore capacity to 150m tonnes by the late 1980's are well under way. The 1980's target compares strikingly with CVRD's 1968 output of 15m tonnes.

An experimental shipment of 250,000 tonnes will be sent to China later this year, to test a potential market there of over 10m tonnes for CVRD, while the new Romanian market is taking 800,000 tonnes (with a possibility of another 250,000 tonnes) this year, and negotiations are under way with Nigeria for sales of 1.2m.

# Row over power plant for Greece

By Our Own Correspondent

ATHENS, July 16.

The Public Power Corporation—Greece's State-controlled electricity company—has decided to purchase a 300 MW oil-fired power station, costing about \$80m, directly from the Soviet Union, the Minister of Coordination, Constantinos Mitsotakis said.

The decision follows cancellation of an international tender held last October by the Public Power Corporation for the purchase of a lignite-fired power station of the same capacity.

The West German Kraftwerk Union (KWU) and the Japanese Mitsubishi had competed in the tender for the unit which was to have been installed near the lignite deposits at the Peloponnese.

Cancellation of the tender led two Members of Parliament of the main Opposition party, the Panhellenic Socialist Movement (Pasek), to table a question in the House this week seeking clarification.

The two MPs spoke of a financial scandal and claimed a contract had been signed with KWU and then cancelled in favour of Mitsubishi which had originally been rejected for lacking the necessary technical experience for such a unit.

Mr. Mitsotakis said today no contract was signed with the West German company. He said the Public Power Corporation considered the terms of the offer by the West German company and decided to postpone installation of the lignite-fired unit at Megalopolis.

Instead, it was decided to install an oil-fired station at Lavrion, at the southern tip of Attica, and ask the Soviet Union to supply it.

In January 1976, the Public Power Corporation awarded directly to Russia's Energomash a contract for two 300 MW units for its lignite-fired thermal station at Ptolemais.

A CONTRACT worth DM500m is foreseen in a letter of intent received by the German Boveri Company of Mannheim for the construction of a 600 MW power station at Mashad in North Western Iran, John Wikstrom said.

Wires from Tehran, which consist of four 150 MW aggregates, the first of which will come on stream in 1981 and the remaining three at intervals of four months.

# EAST AFRICAN TRADE

# World Bank picks up the pieces

BY JOHN WORRALL, IN NAIROBI

THE PROPOSAL sponsored by the Economic Commission for Africa in Addis Ababa for a preferential trade area covering 17 states in Eastern and Southern Africa is a startling reminder of the melancholy demise of the East African Community, and its common market, which went down last year in disarray and confusion.

Kenya, Tanzania and Uganda are still trying to pick up the pieces from that crash. More accurately the World Bank is picking up the pieces in a set of proposals for a fair division of the assets and liabilities which it will place before the ex-partner States.

The Kenyan Minister, Dr. Robert Ouko, who has been investigating the possibilities of the proposed new free trade area, says it has no similarity with the late East African Community.

"The common market worked well, but it was too closely tied to hundreds of other community functions. It was too political, affected the border last year, and affected the autonomy of the East African states."

Dr. Ouko is Minister of Community Affairs in Kenya, was once a Kenya representative on the East African Community Council of Ministers, and is in charge of the breakup arrangements, including the Kenya share of the division of assets and liabilities.

First of all, he admits, there has to be a solution of the political differences between the ex-partners, especially between capitalist Kenya and socialist Tanzania.

The Tanzanians still firmly and politically keep their border closed, though loopholes continue to emerge as realisation grows of the close commercial relationship between Kenya and Tanzania.

The Kenya border is kept open, as it has been all the time, ready in the Kenyan fashion to resume trade immediately. Normal communication between the two countries is carried on at Permanent Secretary level, a plainly unsatisfactory procedure.

After meetings between officials of the two countries the Harbours Corporation and the East African Development Bank (which still survives) were either disbursed, outstanding or undischarged at the break up.

The biggest problem for Dr. Umbricht is likely to be an equitable division of the considerable assets of the community and its corporations mainly, it is understood, on the basis of the input of each partner state.

One of the difficult questions is how to divide up the value of Arusha, the community capital in Northern Tanzania, with its office blocks (some brand new), conference halls and staff dwellings. Tanzania is finding it difficult to use Arusha adequately for its own purposes in view of the fact that it is building a brand new capital at Dodoma in the south.

But most of the huge capital assets (not yet assessed) of the community are in Kenya. For instance, the headquarters and main yards of East African Railways, both of which are being used by the new State-owned Kenya Airways and Kenya Airways. There may be a rude shock for Kenya when it has to pay up for these assets.

Many pitfalls lurk in the way of a real settlement between the three countries and a normalisation of relations between them. Dr. Umbricht's brief is to "recommend to the partner states proposals for the permanent and equitable division of the assets and liabilities of the East African Development Bank (which still survives) were either disbursed, outstanding or undischarged at the break up."

The biggest problem for Dr. Umbricht is likely to be an equitable division of the considerable assets of the community and its corporations mainly, it is understood, on the basis of the input of each partner state.

One of the difficult questions is how to divide up the value of Arusha, the community capital in Northern Tanzania, with its office blocks (some brand new), conference halls and staff dwellings. Tanzania is finding it difficult to use Arusha adequately for its own purposes in view of the fact that it is building a brand new capital at Dodoma in the south.

But most of the huge capital assets (not yet assessed) of the community are in Kenya. For instance, the headquarters and main yards of East African Railways, both of which are being used by the new State-owned Kenya Airways and Kenya Airways. There may be a rude shock for Kenya when it has to pay up for these assets.

# Swedish curb on shoes rejected

BY WILLIAM DUFFLOR

STOCKHOLM, July 16.

TRADE MINISTER Staffan Burenstam Linder has rejected a demand from the Swedish shoe manufacturers and unions for the reimposition of restrictions on shoe imports. Almost 80 per cent of Sweden's shoe imports come from the EEC countries and its EFTA partners.

The main problem for Swedish shoe makers was not imports but the decline in domestic consumption of leather shoes. Mr. Burenstam Linder explained. In the first quarter of this year imports of leather shoes were 26 per cent lower than during the first three months of 1977 and preliminary figures for April indicated a 30 per cent decline.

Sweden abandoned controls on shoe imports from July 1 last year after strong protests from the EEC Commission. The introduction by the Brussels Commission of a licensing system for shoe imports from East Bloc and developing countries has been cited by Swedish shoe makers as a reason for re-introducing Swedish import restrictions.

Mr. Burenstam Linder dismisses this argument by pointing out that Sweden already regulates imports from East Bloc countries and imports only 6 per cent of its shoes from developing countries. Moreover, other countries affected by Swedish import controls could retaliate.

Sweden's earlier restrictions provided for annual imports of slightly more than 8m pairs of shoes. The trend of the first four months of 1978 suggested that imports could be even lower this year, said Mr. Linder.

The problem was that wooden and cloth shoes were taking a larger share of the Swedish market, Mr. Burenstam Linder said.

# World Economic Indicators

TRADE STATISTICS		June 77	May 77	April 77	June 77
UK £bn	Exports	2,926	2,877	3,000	2,775
	Imports	3,032	3,095	2,812	3,072
	Balance	-0.106	-0.218	+0.188	-0.297
U.S. \$bn	Exports	11,754	11,600	10,900	9,970
	Imports	13,921	14,500	13,700	13,120
	Balance	-2,167	-2,900	-2,800	-3,150
N. Germany DMbn	Exports	22.5	22.9	24.6	22.7
	Imports	19.4	20.6	20.4	19.1
	Balance	+3.1	+2.3	+4.2	+3.6
Italy Lire bn	Exports	3,995	3,824	3,582	3,613
	Imports	4,294	4,313	3,762	3,529
	Balance	-0.299	-0.489	-0.180	-0.916
Japan \$bn	Exports	7,620	7,704	8,632	6,822
	Imports	6,470	5,430	5,501	5,419
	Balance	+1,150	+2,274	+3,131	+1,403
France Ffr bn	Exports	29,519	29,126	31,133	26,530
	Imports	29,364	28,734	29,941	27,527
	Balance	+0.155	+0.392	+1,192	-0.977
Ireland Ffs bn	Exports	124,771	107,936	112,835	104,357
	Imports	128,749	122,457	122,936	109,530
	Balance	-3,978	-14,521	-10,101	-5,173

# Scotch exports rise again

BY OUR INDUSTRIAL STAFF

FOLLOWING ANOTHER big market in the world for Scotch, Scotch whisky exports took 14,37m gallons of Scotch in May, the total shipped during the first five months of this year rose by 13.6 per cent in volume and 24.5 per cent in value compared with the same period of 1977.

The total was 40.1m gallons worth £232.8m.

Blended Scotch shipped in bottles still dominates world trade and in the five months showed a 21.0 per cent increase in volume and 23.5 per cent in value compared with the first five months of 1977.

The greatest growth rate, however, was shown by shipments of malt whisky in bulk, up 30 per cent in volume and nearly 30 per cent in value to 4.1m gallons chemical group, says a British whisky industry spokesman.

Blended whisky sent from Scotch, Jersey, will manufacture items land in bulk recorded a 19 per cent increase in both volume and materials, notably footwear, at value to 8.5m gallons valued at over \$20m.

The U.S., the biggest single report from AP-DJ.

# Contracts

Italy's state-controlled steel company Finisider said it had concluded an agreement with the Mexican State petroleum corporation Pemex to export up to \$100m worth of steel products to Mexico for construction of a gas pipeline. The contract is being financed with a line of credit from Istituto Mobiliare Italiano (IMI).

Dominion Bridge of Montreal has received a contract valued at about \$10m to sell a urea plant equipment and services to Sudan. Ren Chemicals and Fertiliser.

Fried Krupp subsidiaries Polysius AG and Polysius SA of France, together with Brown Boveri of Baden, have obtained a DM 125m order to deliver a cement plant to South Korea, a of A. B. D. The project, in which the German firm will have 10 per cent as a partner, will begin next year with production beginning at the start of 1980.

Ingco Laing, the specialist engineering contractor combining the resources of the international contracting group Alcan and the UK-based John Laing Group, have been awarded its first major contract for the supply of a 50,000-ton-a-year linear alkyl benzene (LAB) plant in Yugoslavia, part of a major Serbian development at Barje, Belgrade, valued at \$30m.

Kuwait has signed a \$84m contract with Egypt's Arab Contractors Company for the construction of unspecified military installations.

Limeworks equipment valued at some \$25m has been ordered from the Zurich concern B. Moeller for installation on a site at Al Ain in the Emirate of Abu Dhabi. The project, in which the German firm will have 10 per cent as a partner, will begin next year with production beginning at the start of 1980.

# WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

**MONDAY, JULY 16**  
Bank of England (U.K.)  
Bank of Ireland (Ireland)  
Bank of Scotland (Scotland)  
Bank of Wales (Wales)  
Bank of Cyprus (Cyprus)  
Bank of Greece (Greece)  
Bank of Egypt (Egypt)  
Bank of Sudan (Sudan)  
Bank of Algeria (Algeria)  
Bank of Libya (Libya)  
Bank of Tunisia (Tunisia)  
Bank of Morocco (Morocco)  
Bank of Mauritania (Mauritania)  
Bank of Mali (Mali)  
Bank of Niger (Niger)  
Bank of Chad (Chad)  
Bank of Senegal (Senegal)  
Bank of Gambia (Gambia)  
Bank of Guinea (Guinea)  
Bank of Sierra Leone (Sierra Leone)  
Bank of Liberia (Liberia)  
Bank of Ivory Coast (Ivory Coast)  
Bank of Upper Volta (Upper Volta)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)  
Bank of Kenya (Kenya)  
Bank of Uganda (Uganda)  
Bank of Rwanda (Rwanda)  
Bank of Burundi (Burundi)  
Bank of Togo (Togo)  
Bank of Benin (Benin)  
Bank of Nigeria (Nigeria)  
Bank of Cameroon (Cameroon)  
Bank of Gabon (Gabon)  
Bank of Congo (Congo)  
Bank of Zaire (Zaire)  
Bank of Angola (Angola)  
Bank of Namibia (Namibia)  
Bank of Botswana (Botswana)  
Bank of Swaziland (Swaziland)  
Bank of Lesotho (Lesotho)  
Bank of South Africa (South Africa)  
Bank of Zimbabwe (Zimbabwe)  
Bank of Mozambique (Mozambique)  
Bank of Malawi (Malawi)  
Bank of Zambia (Zambia)  
Bank of Tanzania (Tanzania)

## HOME NEWS

## Conoco defers development of Hutton Field

BY RAY DAFTER, ENERGY CORRESPONDENT

CONTINENTAL OIL and its North Sea partners have deferred a decision on the development of their Hutton Field until next year. The hold-up will disappoint offshore equipment suppliers still waiting for a resurgence of orders from field developers.

It was thought that the Conoco group would decide early this year to go ahead and develop the field, which straddles two North Sea blocks, 211/27 and 211/28. But the partnership now feels it needs more time to evaluate alternative production techniques.

Eight companies share the field, which is thought to contain between 250m. and 300m. barrels of recoverable reserves. They are: Conoco, British National Oil Corporation, Gulf, Amoco, British Gas, Mobil, Amerada Hess and Texas Eastern. According to oil analysts, the total cost of development could be over £500m.

Speculation on an early development decision arose in December when Lord Kearton, chairman and chief executive of BNOG, announced details about the possible production plans.

He said that flows of 80,000 to 100,000 barrels a day might be reached in the first stage of development and a peak production rate of 120,000 b/d might be reached in a later stage.

The first stage oil production would probably be achieved

through the installation of a floating unit, tethered to the seabed.

Conoco, in its latest magazine for employees, says that such a unit—which would be the first of its type in the North Sea—would have a displacement of 45,000 tons, as big as a battleship, and be anchored to the seabed by steel pipes.

Such a platform would withstand rough seas and strong winds and have the stability of an island, it is claimed. But the partners are now having second thoughts about the production system and engineers have started evaluating the use of a more traditional fixed steel platform. Some members of the partnership are thought to be concerned about the stability of a floating unit and the financial risk of untied technology.

The group expects to be in a position to submit a development plan for Department of Energy approval in the early months of next year.

Professor Peter Odell of Erasmus University, Rotterdam, and one of the most vociferous critics of the oil industry, has been given permission to study the documents relating to North Sea development.

He has been appointed a part-time adviser to the Department of Energy to review the regulation of oil development and the evolution of Government/oil industry relations.

## Refinery operators plan policy group

BY OUR ENERGY CORRESPONDENT

REFINERY OPERATORS may take the first step towards forming a representative organisation for the UK oil industry later this week.

Some see the need for such an organisation to bring together the oil and marketing sectors to help discussions and negotiations with the Government and trade unions over such issues as UK refinery policies.

The idea of a new representative body will be discussed at Friday's meeting of the Petroleum Industry Advisory Committee, a grouping of oil executives formed to advise the Government about refinery matters.

The committee does not cover marketing and transportation issues and is not empowered to speak or negotiate on behalf of oil companies.

This has led to frustrations within recent tripartite committee meetings, called by Mr. Anthony Wedgwood Benn, the Energy Secretary, to discuss UK and European refinery matters among oil companies, trade unions and Government officials.

A major problem at these meetings has been the committee's inability to speak for the industry as a whole. It has been pointed out that such company had an individual standpoint.

In a bid to overcome this problem, it delegated four representatives to attend a recent tripartite meeting called to discuss the extent of refinery

over-capacity in the UK and the Common Market.

Two representatives—one from a U.S. company and another from a European company—spoke on behalf of operators with more than one refinery in the UK; the other two—again one each from U.S. and European companies—spoke on behalf of operators with a single UK refinery.

But even then there were problems. It is understood that when the discussion ranged beyond the brief prepared for the agenda by the four committee members—the talks broke down.

Mr. Benn is reported to have told the advisory committee's representatives that further talks would be conducted more at a company level where the Government would seek to secure individual planning agreements.

The tripartite discussions have illustrated the lack of an industry voice in the "downstream" part of the oil industry—among refiners, distributors and marketing groups. In the North Sea, for instance, major oil companies are represented by the UK Offshore Operators' Association.

It is emphasised that Friday's meeting will probably be the first of a series on the subject. Even if the idea is adopted, it is not known at this stage whether a completely new organisation will be formed or whether the committee will be revamped.

## Fourth TV channel go-ahead likely

By Rupert Cornwell

THE GOVERNMENT appears to have changed its mind and decided to give the go-ahead for a new Open Broadcasting Authority, independent of both BBC and ITV, to run a fourth channel proposed for television.

The decision will be declared with next week's publication of a White Paper setting out the Government's reply to the recommendations of the Annan Committee, after protracted deliberations by a Cabinet committee chaired by Mr. Callaghan himself.

If the new Authority does win ministerial blessing, victory will be sweet for the lobby that has pressed indefatigably for public service broadcasting, even when most indications were that the Government, however reluctantly, was preparing to hand Channel Four to ITV.

Considerable uncertainties remain. First among them is the fate of the White Paper proposals should the forthcoming General Election be won by the Conservatives, who instinctively are more favourably disposed to commercial TV.

Even if Labour triumph it will be uncertain how quickly the venture could be started up. Meanwhile, financial problems remain over the extent of support from public funds to be diverted from the Government's levy revenue from ITV and over the format of advertising to be allowed on Channel Four.

The White Paper is expected to conclude that the BBC's licence system of finance should stay as it is, that a Broadcasting Complaints Commission should be established and that the new Authority should eventually have its own news service.

## Pacific Steam moves base

Financial Times Reporter

AFTER 74 years the Pacific Steam Navigation Company, once known as the "Birkenhead Navy," is moving back across the Mersey from Huxford Dock, Liverpool, to South Victoria Dock, Birkenhead.

The move, next month, follows lengthy negotiations with the Mersey Dock and Harbour Company and the unions.

The company hopes additional space and transport facilities will help it to expand services to South America and the Caribbean, and cope with increased container traffic.

The Victoria Dock complex includes larger areas for vehicle reception and parking and more storage space.

## Employment offices reopen

TWO EMPLOYMENT offices and nine social security offices in the Greater Merseyside area, closed last week by a strike, will reopen today.

They were closed when members of the Civil and Public Services Association stopped work in protest at moves to pay benefit fortnightly instead of weekly.

## MPs face their most gruelling time

BY RUPERT CORNWELL, LOBBY STAFF

THE House of Lords is unlikely to stage a prolonged battle with the Commons over the content of the Scotland and Wales Bills, when both pieces of legislation are sent back to the upper House at the end of this week.

MPs at Westminster face perhaps their most gruelling spell of the session, as they complete their examination of the changes made in the measures by the upper House. Four consecutive late night sittings are probable, including a timetable motion curtailing debate on Lords amendments to the Wales Bill, late on Tuesday night.

However, the view is that the Lords will indulge only to a limited extent in the "ping pong" process as amendments are exchanged between the two

Houses. No more than one challenge, as peers re-insert amendments deleted by Ministers, before the two Bills go on to the statute book and become the subject of later referendum.

Even so, the earlier hopes of the Government that all outstanding business could be dispatched by the end of this month now look almost certain to be dashed.

Once devolution is out of the way, MPs will have to debate their own pay increases, the Rhodesia situation and, most important, the Government's White Paper setting out its views on phase four of pay restraint.

They may moreover be required to debate a separate but related measure to control divi-

dends, although Ministers have yet to take a final decision on whether and how existing curbs should be extended.

In the meantime, jockeying for position ahead of Labour's election manifesto will intensify as special meetings today of the NEC's Home and International sub-committees discuss new proposals on immigration and foreign policy.

On immigration, it is unlikely that the call for a partial ban on National Front activities will find its way into the party manifesto. Senior Ministers have toyed with curtailing the Front's rights, but have concluded that this would mean an undesirable curb on civil liberties.

The plan also seeks to remove the concept of "patriality" brought in by the Tories' 1971 Immigration Act, and under which "Old Commonwealth" citizens could enter the UK if they had a British grandparent.

The foreign policy topics to be dealt with by the international sub-committee deal with issues ranging from arms limitation and force reductions to aid and southern Africa. The document, which is at a very early stage, would commit Labour to end support for trade and investment links with the Pretoria regime.

## Long-term job creation schemes 'ineffective'

By Peter Riddell, Economics Correspondent

THE GOVERNMENT'S long-term job creation programmes are described as largely ineffective and not representing value for money in a study published today.

The study calls for an expansion in the role of the Manpower Services Commission, a thorough review of regional policy and its effects. It also urges more support for small firms, the establishment of regional development agencies within England to deal with smaller enterprises and consideration of a scheme such as the Swedish investment reserve fund to smooth out cyclical swings in investment.

These proposals are made in a 63-page broadsheet written by Dr. Alan Butt Philip for the Policy Studies Institute, an independent research body which was formed in April through the merger of Political and Economic Planning and the Centre for Studies in Social Policy.

The study compares the British and Swedish experience in the operation of public bodies concerned with the creation of long-term employment opportunities, rather than temporary job subsidies.

Dr. Butt Philip concentrates on the allocation of public investment finance for employment generating industries.

He argues that too many of the existing aids to industry support declining sectors and sources of employment, while too few create jobs with a long-term future.

The fact that the schemes are constantly changing also reduces the willingness of firms to take such financial incentives into account when deciding investment strategies.

He suggests that it would be more useful to develop the existing official agencies (the National Enterprise Board, the Scottish and Welsh Development Agencies) engaged in stimulating industry, although such a change in emphasis would be likely to bring results only after several years.

Creating new jobs: A report on long-term job creation in Britain and Sweden. Alan Butt Philip, Policy Studies Institute, 12 Upper Belgrave Street, London SW1. £3.60.

At the annual meeting, he drew attention to the "climate of public opinion which is in danger of advocating a retreat into a little Britain mentality."

Oxfam blames this "retreat" firstly on the economy's poor performance and secondly on the race debate which has tended to affect the willingness of some members of the public to give to an overseas charity.

Oxfam's response has been to increase spending on public opinion education to £250,000 last year. This cash is spent funding three teams. The first team of publicists, the pressure group equipment for students and teachers at schools, colleges and other educational establishments.

A second team of ten visits youth clubs, social groups and other non-educational bodies while the public affairs unit, staffed by three people, produces pamphlets and lobbies support among MPs and civil servants.

It is also responsible for drawing up Oxfam's submissions to committees and providing material for conferences.

Mr. Bernard Audley, chairman of AGE Research, has been appointed chairman of HULTON TECHNICAL PRESS, and Mr. William A. Cathles, managing director of AGE Publications, has been appointed to the Board. Mr.

David Elvay, company secretary of AGE Research, has also been appointed secretary of Hulton Technical Press.

The MILK MARKETING BOARD has appointed a full-time resident representative in Brussels. Mr. Alastair Macdonald will take up his post as European manager by the end of the summer.

At its annual meeting the FEDERATION OF WHOLESALERS AND INDUSTRIAL DISTRIBUTORS elected Mr. P. E. Shields as chairman for the coming year. Mr. G. Grant was elected vice-chairman and Mr. G. H. Weinberger was elected treasurer.

Mr. William M. Smartt has been elected assistant vice-president of DI GIORGIO CORPORATION, San Francisco. This is a multi-market company active in manufacturing and distributing consumer goods and forest products.

Dr. Peter Beer, former general manager of the diesel engine product division of M.A.N. Augsburg has been appointed deputy vice-president of

## LABOUR NEWS

## Shorter week will cut jobs and raise prices, warns CBI

BY CHRISTIAN TYLER, LABOUR EDITOR

THE CBI tried at the weekend to forestall an 11th-hour deal between the Government and the TUC on the shorter working week by circulating a detailed brief of its own case against such a concession.

Employers' objections to such a trade-off against pay have already been conveyed to the Chancellor of the Exchequer and will surface again when the CBI meets the Prime Minister on Wednesday, the day before the Cabinet approves the White Paper on Phase Four of the incomes policy.

The CBI's main arguments are that a reduction in the standard working week of 40 hours will be particularly expensive in some sectors, will damage Britain's competitiveness, lead to a loss of jobs, increase overtime working, at least in the short run, and encourage some workers to demand extra cash in lieu of shorter hours.

White-collar workers and shift workers already working less than 40 hours a week might also seek to maintain their differential or demand extra pay instead.

Objected There is little sign that the Government will this week ensure that any law, in hours fully paid for by added productivity, in spite of representations from the TUC tomorrow.

Indeed, until senior union leaders objected angrily last week at a meeting of the TUC and Congress, there was still a demand to raise real earnings because of the pressure on living standards in recent years. It would also be difficult to add the surplus hours together to make whole new jobs.

The CBI says: "In present circumstances a reduction in normal hours is economically unsound and a threat to future employment prospects." Nor was it a way of alleviating unemployment.

Higher labour costs would lead to loss of competitiveness and of jobs. Shorter hours would not create large numbers of new jobs, and many of the few jobs created would not be filled "because of locational and skill mismatches."

Breakthrough In engineering, a cut of two hours would cost 5.7 per cent and a cut of five hours 20 per cent, compared with the Department of Employment's estimates of 2.3 per cent and 6.8 per cent respectively for the economy as a whole.

Once a breakthrough had been made by a few big groups of workers, it would be difficult to insist on productivity-based deals for other groups. A similar problem would arise if the shorter week were exempted from the pay policy limit which retail prices index 2.3 per cent higher by the end of 1979 than would otherwise have been the case, and a 35-hour week 7.7 per cent higher.

"At shop floor level there is little evidence of a widespread and immediate desire to reduce actual hours worked, either for greater leisure or to share work and income—with the unemployed. There was still a demand to raise real earnings because of the pressure on living standards in recent years. It would also be difficult to add the surplus hours together to make whole new jobs."

## U.S. contraceptive pill ban urged by union

BY CHRISTIAN TYLER

THE UNION is also writing to President Jimmy Carter to say that Wyeth is in breach of human rights.

According to Mr. Lyons, other Government departments have taken action against companies not complying with the OECD code, which says that subsidiaries must comply with the regulations of their host countries about the recognition of trade unions.

The request follows the refusal of John Wyeth and Brother to recognise the Association of Scientific, Technical and Managerial Staffs for about 100 medical representatives in the U.S. who are members of the International Union of Pure and Applied Chemists.

Mr. Roger Lyons, union official for the chemical industry, said yesterday: "It's one thing for a little outfit like Wyeth to obstruct the intention of British law, but quite another for a multinational to do so. We are confident the Government will back our case in the run-up to an election."

To reinforce its case, the union will today appeal through its journal for women to boycott Wyeth's products, branded Ovran and Ovranette, and switch to comparable brands.

It will approach Mr. David Ennals, Social Services Secretary, Mr. Albert Booth, Employment Secretary, and the TUC, which has a member on the trade union advisory committee to the OECD.

At the same time it will formally submit a case to the Central Arbitration Committee, which if it rules that an arbitration service recommendation has not been complied with, can enforce a terms and conditions award on behalf of employees that the arbitration service has said should be given union recognition.

Over time ban cuts Sunday Times print

THE SUNDAY TIMES lost nearly 400,000 copies because of a ban on overtime by printworkers involved in a pay dispute, the paper said yesterday.

Members of the Society of Graphical and Allied Trades, who pack and despatch the papers, met on Saturday night and refused to work overtime. It was the third week running that shortages had occurred, the paper said.

The men are demanding £46 basic for the Saturday night shift, compared with the present earnings of £37.35.

Farms pay plea by Labour MP

THE Prime Minister was urged yesterday to give the farmers' claim of £80 for a 37-hour week the same consideration as had been given on pay for the chiefs of nationalised industries.

Speaking in Durham, Miss Joan Maynard, Labour MP for Sheffield, Brightside, said: "Firemen, police, university lecturers and now top brass have all had phased wage settlements designed to help them catch up. Nobody is more overdue to catch up than farmworkers. They were now earning only £43 for a 40-hour week."

## CONTRACTS AND TENDERS

SYRIAN ARAB REPUBLIC  
General Establishment for Geology and Mineral Resources  
No. 244  
Dated: 14-6-1978

CALL FOR TENDER  
The General Establishment for Geology and Mineral Resources (GEMR) is invited to submit tenders for the following work:

1. Delivery, time and location are available to be at least as follows:  
a) Delivery of 100 tons of cement (Cement 42.5) to be delivered in the city of Hama, Syria.  
b) Delivery of 100 tons of cement (Cement 42.5) to be delivered in the city of Latakia, Syria.

2. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

3. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

4. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

5. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

6. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

7. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

8. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

9. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

10. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

11. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

12. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

13. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

14. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

15. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

16. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

17. Tenderers must submit a bank guarantee for 10% of the total amount of the contract, to be held by the GEMR.

## Oxfam boosts income 19% to £7.85m

BY PAUL TAYLOR

OXFAM, perhaps Britain's best-known charity, increased its total income last year by 19 per cent to £7.85m from all the odds and ends £4.85m overseas.

The charity's annual accounts, published at the weekend, showed that in spite of the recession and adverse changes in public opinion Oxfam, in the year ending April 30, kept ahead of inflation for the first time in several years.

Much of Oxfam's success is based on its operation of a national shop network. With 559 shops throughout the country, Oxfam has become one of the largest retailers in the UK.

The shops, staffed by more than 20,000 volunteers, brought in 40 per cent of Oxfam's total income last year and increased net income by 25 per cent, to about £2.7m.

Last year the shops handled 5m. sales and Mr. Brian Walker, Oxfam's director-general, emphasised that these sales in themselves represented a major contribution to the relief of poverty in the UK since most of the customers were either



Mr. Brian Walker, Director of Oxfam.

old people or young married couples. Supplying the shops with

handicrafts has turned the Oxfam trading company into what people in the industry call Third World handicrafts. Income from legacies provided a further £1m for the charity's funds last year and the EEC and the Government added another £700,000 in grants.

The pattern and philosophy of Oxfam's expenditure overseas has changed dramatically since the charity was set up in 1942. At that time all of its expenditure was based on emergency relief and "welfare" work. Five years ago Oxfam was still spending 25 per cent of its overseas allocation on welfare work, but last year the figure was only 7 per cent.

This change is based on a recognition that, in Mr. Walker's words, "it is no good pouring money into a bottomless pit of welfare."

He stresses that welfare work must be the first response to someone dying of starvation and Sir Geoffrey Wilson, Oxfam's chairman, said emergency assistance "must remain within our portfolio," but the trend was now

towards "social development." Social development projects mean helping people to identify their own needs and suggesting ways they can respond to these needs to become self-sufficient.

It is a pragmatic approach which might, for example, involve Oxfam's help in advising on the construction of a well or irrigation scheme.

The percentage of Oxfam's overseas aid spent on social development rose from 20 per cent to 42 per cent last year. This change is a direct response to the views of Oxfam's 40 "front line" professional staff who work alongside some 15,000 local specialists such as engineers and doctors who are paid by Oxfam.

Last year more than 70 per cent of the charity's income was sent abroad, 4 per cent was spent on administration, 14 per cent was spent on fund-raising activities including advertising, 5 per cent was held back for shop development and about 4 per cent was spent on "public opinion formation."

The need for public education was emphasised by Sir Geoffrey Wilson at the annual meeting. He drew attention to the "climate of public opinion which is in danger of advocating a retreat into a little Britain mentality."

Oxfam blames this "retreat" firstly on the economy's poor performance and secondly on the race debate which has tended to affect the willingness of some members of the public to give to an overseas charity.

Oxfam's response has been to increase spending on public opinion education to £250,000 last year. This cash is spent funding three teams. The first team of publicists, the pressure group equipment for students and teachers at schools, colleges and other educational establishments.

A second team of ten visits youth clubs, social groups and other non-educational bodies while the public affairs unit, staffed by three people, produces pamphlets and lobbies support among MPs and civil servants.

It is also responsible for drawing up Oxfam's submissions to committees and providing material for conferences.

at the annual meeting. He drew attention to the "climate of public opinion which is in danger of advocating a retreat into a little Britain mentality."

Oxfam blames this "retreat" firstly on the economy's poor performance and secondly on the race debate which has tended to affect the willingness of some members of the public to give to an overseas charity.

Oxfam's response has been to increase spending on public opinion education to £250,000 last year. This cash is spent funding three teams. The first team of publicists, the pressure group equipment for students and teachers at schools, colleges and other educational establishments.

A second team of ten visits youth clubs, social groups and other non-educational bodies while the public affairs unit, staffed by three people, produces pamphlets and lobbies support among MPs and civil servants.

It is also responsible for drawing up Oxfam's submissions to committees and providing material for conferences.

Mr. Bernard Audley, chairman of AGE Research, has been appointed chairman of HULTON TECHNICAL PRESS, and Mr. William A. Cathles, managing director of AGE Publications, has been appointed to the Board. Mr.

David Elvay, company secretary of AGE Research, has also been appointed secretary of Hulton Technical Press.

The MILK MARKETING BOARD has appointed a full-time resident representative in Brussels. Mr. Alastair Macdonald will take up his post as European manager by the end of the summer.

At its annual meeting the FEDERATION OF WHOLESALERS AND INDUSTRIAL DISTRIBUTORS elected Mr. P. E. Shields as chairman for the coming year. Mr. G. Grant was elected vice-chairman and Mr. G. H. Weinberger was elected treasurer.

Mr. William M. Smartt has been elected assistant vice-president of DI GIORGIO CORPORATION, San Francisco. This is a multi-market company active in manufacturing and distributing consumer goods and forest products.

Dr. Peter Beer, former general manager of the diesel engine product division of M.A.N. Augsburg has been appointed deputy vice-president of

Dr. Peter Beer, former general manager of the diesel engine product division of M.A.N. Augsburg has been appointed deputy vice-president of

Dr. Peter Beer, former general manager of the diesel engine product division of M.A.N. Augsburg has been appointed deputy vice-president of

## APPOINTMENTS

## Board changes at Imperial Group companies

From November 1, Mr. J. E. H. Wilson will relinquish his duties as chairman and managing director of W. D. & H. O. WILLS to take up the new position of group marketing adviser of IMPERIAL GROUP. Mr. Wilson will remain a member of the group board but will cease to be a director of Imperial Tobacco. Mr. C. R. Cory, marketing director of Imperial, will also join the Board of Imperial Tobacco.

The positions of chairman of W. D. & H. O. WILLS will lapse. Mr. R. A. Garrett, at present chairman of John Player & Sons, as well as being chairman of Imperial, will consequently give

up the former title on November 1.

Mr. Kenneth Webb, chairman of BIRDS EYE FOODS is to retire on March 31, 1979. His successor will be Mr. P. Angel, who is at present chairman of the Wall's Meat Company. Mr. Angel will join the Board of Birds Eye



KEITH TRICKET, managing director of Compeda, the marketing support subsidiary of the NRDC, aims to prove at an Uniline computer graphics seminar in London in September that Britain leads the U.S. and the rest of the world in many uses of graphics software. "Because of the shortage of cash for computer power in the UK," he says, "we British have had to use smaller computers more cleverly."

His Compedita colleague, Dr. Keith Pike, will be presenting for him full details of a software package called PDMS that is designed to store and retrieve anything else in the world. PDMS was devised by the CAD Centre, and responsibility for worldwide marketing of PDMS is in Compedita's hands.

Pike was involved for the design of pipe layouts by process plant contractors and smaller organisations that supply engines, coolers, pipework and other plant components.

"It is much more than an automatic pencil," says Dr. Pike. "It is a complete design management package."

PDMS allows the designer or engineer to construct three-dimensional representations of every item of plant, down to the level of flanges and gaskets. All the information is stored in memory. On the graphics side, the user can specify what he wants from any scale, up

format for use in costing and materials ordering.

For example, explains Dr. Pike, "that information on a plant design can be stored in a convenient magnetic form and then, years later if need be, it can be retrieved to locate components that require replacement or overhaul or to modify the layout for expansion or to take account of a new design."

The PDMS presentation is part of a British session that will balance the reports of American graphics progress in hardware, software and applications. Dr. Machover and Bertram Herzog. Other British success stories to be described include ICON, a system for the design of oil rigs, and the design of integrated circuits. Further details of the complete four-day seminar on computer graphics can be obtained from Online Conference Cleveland 1986, 10000 US\$ 2100, 10000 phone: Unifiber (0959) 39323.

**LIQUID** nitrogen at minus 196 degrees C, supplied by EOC, is a small helicopter or light plane. One of the main advantages offered in thermographic surveying is the speed of detection of leaks or faults. BL Thermographic Surveys operates a van service to any location in the

Thermography is the technique of making infra-red radiation visible on the camera screen. The Thermograph offers a service using an infra-red camera to give a continuous thermal picture of the surface of an object. The camera used is much like a TV camera, except that it detects variations in heat as opposed to light. The pictures obtained clearly show thermal patterns and any inconsistencies become readily apparent to the trained eye.

United Kingdom. The company also operates in Scandinavia, Germany, France, Holland and Belgium.

Further details from BOC on 0709 2161.

## New trade association

THE NATIONAL Federation of Glass Reinforced Plastics Cloth-

**THE NATIONAL Federation of Glass Reinforced Plastics Cladding Contractors** has just been formed with offices at the London headquarters of the National Federation of Building Trades Employers, 82 New Cavendish Street, London W4D 0J (01-837 6771).

The main object of the new organisation is to raise the standards and quality of glass reinforced plastics cladding operations. First steps will be the production of good practice guides, liaison with the architectural profession and the establishment of standards for health and safety for fire testing.

# JOHN BROWN

## *Record 1*

**INPUT-output** modules made by Opto 21 in California and marketed here by Rapid Recall will give the isolation needed between controlling microcomputer and the equipment being controlled while at the same time providing the processor with the ability to switch power from a variety of AC and DC sources. Various of the system is a board measuring 355 x 89 mm which will accommodate up to 16 mailbox-sized units, secured in position by a single screw.

Connection to the processor is by edge connector and to the controlling equipment by terminal block. The 16/10 terminals on the 16 I/O units can be replaced without disturbing the wiring harness to the screw terminals, and each has a replaceable fuse.

Units for AC switching are rated for 1000 watts for use in controlling lines from 12 to 280 V, from logic voltages ranging from 5 to 32 V. Some what lower figures apply for DC.

Rapid Recall is at 9 Batterien Street, San Francisco, CA 94133. (415) 371-6741.

IT WOULD appear that European and American horticulturalists are choosing the type of greenhouse known as a growing tunnel with glass fibre ribs in preference to metal rods and

The tunnels will come as a package deal complete with fibreglass ribs, polythene sheathing, anchors and fully illustrated assembly instructions.

So confident is the company of the durability of the ribs, it is giving a 15 year guarantee on them. Based partly on the actual experience of overseas growers, the decision, says the company, is primarily due to the

**THE NATIONAL Federation of Glass Reinforced Plastics Cladding Contractors** has just been formed with offices at the London headquarters of the National Federation of Building Trades Employers, 82 New Cavendish Street, London W4D 0J (01-837 6771).

The main object of the new organisation is to raise the standards and quality of glass reinforced plastics cladding operations. First steps will be the production of good practice guides, liaison with the architectural profession and the establishment of standards for health and safety for fire testing.

**PROVIDING** a strip chart recorder presentation without a chart, the Visu-Trend is a CRT-based alternative to analogue chart recorders, giving a trend display of between 4 to 80 channels without ink or paper.

Any 4- or 8-channel arrangement can be displayed at any one

including 4-20 mA signals; resistance thermometers and thermocouples. The latter modules include cold junction compensation and linearisation.

An optional battery pack is available which allows the memory to be retained in the event of power failure, allowing users to record all instrument

The record is shown in normal chart recorder format on the top part of the display, and in bar chart format, giving instantaneous values, on the upper part. Individual high and low alarms are available on each channel, adjustable over full scale. Markers show the alarm set-point position on the bar chart display. On the basis that many recorder applications the chart record is only kept when fault conditions or levels are exceeded, the Visu-Trend has a copy feature that allows the display to be quickly copied on to a chart recorder thereby giving a permanent record. 30 channels of record can be kept in 30 minutes, even when the record is of a day's operation.

sequence analysis. There are 18 switched chart speeds from 1 to 5 mm/day to 4 mm/day to 1 mm/day. A variety of size displays are available with chart widths of nominally 140, 185, 280 and 265 mm. Remote slave displays can also be used if required.

A variety of interchangeable analog input amplifiers accept signals from voltage sources, 10 mV to 100V; current sources,

switched via a zero crossing integrated circuit. There are no moving contact parts with a consequent reduction in test-time, radio frequency interference and changing magnetic fields.

In addition, proportional control is employed so that a temperature within two degrees of the dialled value can be locked. The dial can be locked to any temperature in the range 120 to 380 deg. C.

**A RECOGNITION and control system** which identifies and interprets printed codes on fibreboard cases has been introduced by Thames Case, Purfleet, Essex (Purfleet 3593).

The case is produced by normal printing processes and is said to provide the ability to control flow-lines, monitor production rates and stock levels, and control lane switching on conveyor systems such as automatic collection.

The system will accept a range of case sizes conveyed at speeds of up to 50 metres per minute and can be linked to a computer or other data processing equipment. Called Translog, it consists of a television camera with a computer interface unit, and a technically advanced control unit which then activates the required function. The case code is formed using a series of bars and spaces of varying widths. It can be printed on outer fibreboard cases by any manufacturer, says the company, to a tolerance within a good standard of flexographic printing.

**OPTIONAL EQUIPMENT** for its all-weather hydraulic ram is announced by Jervis Engineering, Kingsbury Road, Mianwah, Sutton Coldfield, B76 9DF, West Midlands (021-351 4501).

An inching facility to aid tool setting takes the form of a control lever mounted on the top arm of the frame. By pushing this lever forward the ram of the press creeps slowly down; similarly, with the lever pushed back the machine rises. The ram is held stationary when the lever is in its central position.

The device is incorporated in the pneumatic control system of the press and safe operation is assured by cutting off the air supply. Then, residual air pressure is reduced to about 2 lb/in<sup>2</sup> (0.15 bar); this is sufficient to move the ram, but not enough to cause injury.

A rising table is the second piece of optional equipment. It is mounted on a precision lead-screw incorporated in the base of the press. Use of hand wheels on the lead-screw can be related to set the height of the table, says the company, with extreme accuracy.

A NEW CLASS of all-British marine propulsion engine with only three cylinders has completed successful testbed trials and could have a substantial impact on the world market for the middle class of ship

The Oxfordshire engine says that the unit has proved to be relatively quiet and smooth on test with a satisfactory fuel consumption recorded of below 145 g/bhp/hr on diesel oil.

Built in Sunderland by Duxford Engines, designers and makers of marine engines of up to 27,000 bhp, this latest engine has a 1,000-hp version as low as 1,220 rpm and will burn safely, at the lowest grades of residual fuel oil to give shipowners substantial economies in the fuel bill.

This "constant pressure" charged engine has been designed as development of the Oxford turbocarged opposed-piston engine, but with reduced piston stroke and higher rotating speed to keep the engine height within the same limits as the smaller classes of tanker, container ship

BASED upon the Texas Instruments TMS 9900 16-bit microprocessor chip, Brandaver and Company of Birmingham has introduced a number of microcomputer modules in double Eurocard format together with a powered racking system.

**HIGH-CAPACITY** Floppy discs manufactured by the Microsilicon Corporation are available from the Sintrom Microshop at Reading, Berks.

Microsilicon's Meta Floppy 1054 consists of four drives, controller, power supply, chassis, enclosure, cabling and a new Basic software package. It is the first low-cost 5 1/4 inch floppy disc system to offer more than one megabyte of on-line storage. It is built to exceed standards usually associated with 8 inch floppy drives.

The 1054 will plug in easily to Intel and Zilog micro systems.

Sintrom Electronics, Arkwright Road, Reading, Berks. GY1 1AA.

**CAIRO, EGYPT**

## NATURAL GAS PROJECT

**INVITATION FOR  
PREQUALIFICATION FOR GENERAL  
CONTRACTORS**

**EGPC (natural gas project)** for the purpose of issuing a forthcoming tender for execution of natural gas distribution system and relevant materials in four residential areas in Cairo (Helwan, Maadi, Nasr City and Heliopolis), intends to select among a limited number of reputable firms who qualify to undertake detailed engineering design, procurement and execution of the project (whole or part).

Applicants confident of their qualified capabilities are requested to submit a detailed text of their previous works in similar projects already undertaken or under execution.

The booklet containing the basic engineering data and describing the nature and volume of the work involved will be available at EGPC (natural gas project) Office, Osman Abdel Hafiz Street, Nasr City, Cairo, or at No. 2 Midan Kasr el Doubara, Garden City, Cairo (8th floor, Apt. 48) against payment of ten pounds Egyptian or equivalent thereto.

**Applications will be received starting from 16th July until 30th August 1978.**

**JOHN BROWN AND COMPANY, LIMITED**  
*Record Profits of more than £23m.*

The one hundred and fourteenth Annual General Meeting will be held in London on 4th September, 1978. The following is the Statement of Lord Aberconway circulated with the Report and Accounts for the year ended 31st March 1978.

It is gratifying again to be able to report a good year's trading, with a group consolidated profit before tax of £23.9m: the figure last year was £10.9m.

In the accounts we have treated taxation in line with the current proposals, commonly referred to as ED19, of the Accounting Standards Committee. We have accordingly provided for only such taxation liabilities as are likely to arise in the foreseeable future, and the surplus of earlier provisions for deferred taxation has been transferred to reserves.

We have included this year a supplementary statement, later prepared in accordance with the Hyde guidelines on inflation accounting. This method is not perfect but it is a practicable way of illustrating the effect of inflation on the results of the year.

The maximum rate of dividend now permitted for the year under review, assuming current rates of taxation, is 8.712p: of this amount we have already paid an interim dividend of 4.0p on 6th April 1978. It appears likely that the rate of AGV for the year will be 10.0p. We intend to pay a further interim dividend of 4.0p in the year and, in order to be able to pass on to stockholders the benefit of this, your directors have decided to declare on 18th August a second interim dividend of 4.712p or whatever larger amount would reflect any such reduction. This dividend will have no effect on the final dividend which will be paid on 6th October 1978, the date on which the final would have been paid.

Net bank borrowings of £3.3m at the start of the year have been eliminated and we had at the year end a net cash surplus of some £15.2m. Good as this is, our business involves many multi-million pound contracts running at any one time; terms of payment for these vary, and this in turn may lead to substantial swings in our cash position. In response to this, liquidity has led us to exercise throughout the Group a high degree of stringency in authorising capital expenditure on plant renewals: our improved cash position and more especially our prospects of future profits have justified a more liberal approach to such expenditure. The extension of schemes of modernisation and rationalisation of our facilities are in progress or in course of preparation. In the current year we plan to spend on capital assets, apart from acquisitions, some £15m.

Since the end of the financial year the group has purchased through Craven Tasker

Ltd. all the ordinary share capital of Baxley Ltd. which, with its well known Tautliner and Linkliner products, is the European market leader in the design and manufacture of side-access vehicle bodies. This acquisition strengthens further the position of Craven Tasker in the U.K. van market.

John Brown Engineering (Clydebank) Limited had a very profitable year and shipped to customers a record number of 48 gas turbines. Indeed, because of this unusually high output, its profit should be regarded as exceptional. JBE's gas turbine business is now very well established and its customers are in the nature of such businesses, it well managed to enjoy an occasional outstanding year like this. We hope that JBE will enjoy many more such years, but the current year, which started with a much shorter order book than existed in 1977, is a more typical year for an exceptional As I write, a little over two months into the year, JBE still needs to take a substantial volume of new orders to meet its targets, and we are hopeful that it will do so: this is the familiar pattern of JBE's gas turbine business, and we expect an

As I said in our Interim Report in January, no new orders had been forthcoming for JBE Offshore's fabricating facility at Clydebank, and so we had had to discontinue that company's operations. We had provided \$2m in a loan account to the company in March 1977 against anticipated underutilisation of JBE Offshore's facilities; the additional costs of discontinuance resulted in a loss of £1.1m in the Offshore company, and this has been taken into account in arriving at the profit for JBE for the year.

Constructors John Brown Limited also had a good year: a high level of activity resulted and a number of significant contracts were completed with satisfactory outcomes. CJB Offshore Limited won the Queen's Award for Industry for technological achievement in the design and development of a new type of production platform and support structures for the Thistle Field in the North Sea; this was a source of great pride for us all. CJB has not as much work in hand as it had a year ago, and new contracts need to be secured to ensure the company's survival, although in the short term in Western Europe, the U.S.A. and Eastern Europe, competition is fierce. Nonetheless CJB remains in a strong position and should again this year be a major contributor to group profits.

As a company limited by guarantee, the same profit as last the previous year, a small reduction in profit from our machine tool activities as a whole was attributable mainly to A. C. Wickman of Canada being no longer a shareholder. Markets worldwide for most of our machine tools have been depressed through the year and have re-

continued. We see no great change in this picture for a year or two yet. However, we continue our policy of building for a brighter future with significant investment in new plant and facilities and in new product design.

Travers, Cassel, Lymbert had a splendid year. Their business has provided a firm base for the future. Indeed, with the contribution from the newly acquired Roalloy, this profits this year should be excellent. Markham and Company Limited did well; engineering skills and the quality of its *workmanship are distinguished*, and are well known. Their tool stock is good. Firth Brown Tools Limited, important though still small, has had a profitable year, but still finds market conditions difficult. John Brown Plastics Machinery Limited achieved better results than we foresaw in January, making a small but nevertheless useful profit after last year's losses. The thing was to be recovered before performance can be regarded as satisfactory. In Canada, Firth Brown Stainless Limited, formerly Firth Brown Steels Limited, had another satisfactory year.

Looking to the future, in the longer term

would first like to remind stockholders that the handsome profit improvements of the last few years have been due to the better performance of our plants operating the same businesses as have comprised the group for some years; that is to say without any fundamental change in the group's make-up. Apart from our machine tool and plastics machinery interests, where we still have some way to go, the group and its recovery is now approaching the level of the 1950s. The mix of main activities remains substantially unchanged, stockholders should not expect further annual profit growth of the order recently achieved. They can however, if the economic climate is reasonable, look with confidence to further increases in profits over the next few years. Our existing businesses but for a more conventional pattern of operations will enhance this process, as would the acquisition of complementary businesses. I would, secondly, reiterate that in a group like ours, with so significant a part of our earnings now coming from long-term contracts, the inevitable and enviable variations in results shown at fixed year-end periods

In the shorter term, stockholders will wish to know the prospects for the current year, especially as I have referred earlier to the somewhat exceptional features of JBE's excellent contribution. The position can be summarised today as follows. We do not expect any general improvement in either economic or market conditions in the year, and therefore our machine tools and plastics machinery interests in particular are likely to remain dull. JBE faces, as often previously

At this time of year, a sales challenge to secure a substantial number of orders for gas turbines for delivery before the end of the financial year. Even so, the current year should not disappoint stockholders.

In our Interim Statement, I said that after the forthcoming Annual General Meeting, my twenty-sixth, I would retire from the chairmanship. It may perhaps be of interest to members of the C. of S. to hear from me on that, on the conversion of the business from partnership to a limited liability company in 1864, my great-grandfather, Henry Davis Poehin, became one of the original directors of the C. of S. and a member of the Board. Since then there has been a member of my family continuously on the board, and indeed during the 71 years since 1807 the chair has been occupied by three people, my grandfather, my father and myself. There is an unusual occurrence in a public company where the family concerned has never had any substantial, still less dominant, financial interest. It is therefore with, I think, peculiar satisfaction, sentimental feelings that I have quite the chair of the C. of S. has been close to my heart for longer, than twenty-six years in which I have occupied the chair: during this period it has been very considerable part of my life. I have seen times of difficulties and crises, times of triumph. I am deeply conscious that throughout my life I have been encouraged by the loyal and resourceful support of my colleagues and my executives. I am happy in the knowledge that the company will be in the excellent hands of John Tayehw-Sanders, who is splendidly supported throughout the group. The business is well placed to meet the challenges of the future, a good account of itself in the years to come. My colleagues have done me the honour of asking me to be the first President of the company, a position which I have accepted with much appreciation. Even more am I delighted that my colleagues wish me to stay on for the time being on the board; and more than that, they have allowed thereby still to contribute, so far as I can, to the future well-being of a great company.

Str Eric Mensforth is relinquishing the deputy chairmanship, a position he has held, to my great support, for nearly 20 years. Happily he continues as a member of the card, which he joined 30 years ago. His wisdom and experience will thus still be available to his colleagues.

To all in the John Brown Group who have helped me, while I been chairman, I am deeply grateful. To all who have helped in the recovery of the last year or two, and particularly during this last splendid year, I give my enormous pleasure, on behalf of my colleagues and our stockholders, to express, for the last time, my heartfelt

17th JULY 1878

LOMBARD

# A bad approach to EEC money

BY SAMUEL BRITTON

THERE IS a great temptation to project on to another person or institution our own thoughts and wishes and miss what they are actually trying to do. Some EEC enthusiasts are in danger of doing this in relation to the British Government's new-found interest in monetary union. Having had an opportunity to hear at a high political level the kind of monetary arrangement which Ministers have in mind, I am convinced that joining it would be a great mistake.

There is certainly a strong case to be made for a single currency in Western Europe; and as a first approximation to it, to move towards permanently fixed exchange rates in which pounds, marks and francs are basically different names for the same currency and in which money and capital flow freely across frontiers.

Unfortunately what the British Government has in mind is no such thing. It has been motivated mainly by a dislike of exchange rates being shifted by market forces. Its goal is to achieve a "zone of stability" in which a large EEC fund is available to defend exchange rates against so-called speculators. The object is certainly not to adjust UK monetary and fiscal policy to achieve, say, the German rate of inflation—an aim consciously disavowed. It is rather to ensure that—outside a limited range—exchange rate changes are of a size and timing determined by governments rather than the market.

## Treasury

It is unfair to say that the Treasury is mainly concerned to put up such barriers as to block progress. At the political level of that Department there is a real desire to join an EEC arrangement. The insistence on a "resource transfer" to accompany monetary link comes mainly from the Prime Minister's interest in package deals. The inclination of those who will be in charge of the financial negotiations is to separate the distribution of EEC budgetary burdens from the monetary union, which is seen primarily as a matter of exchange rate support.

The Bremen initiative is seen in London not as a bold step to a united Europe, but as a way of getting back to a Bretton Woods type system of "fixed but adjustable" parities, except that the range of fluctuation would be wider. There is no commitment, or even interest in, adjusting British monetary policy to make a given sterling parity with the Mark stick. On the contrary the

## Sterling

rate of inflation is still seen as depending on incomes policy. Exchange rate and monetary policy will continue to be adjusted to fit in with the movement of British money costs, and not the other way round. The whole Government argument depends on the idea that market movements of sterling have often been irrational and damaging, and that protection against them would be in the national interest. But a strong case can be made that they have on the contrary been immensely beneficial. Mr. Healey should not be denied some personal credit for seeing ahead of some of his officials the need to control the money supply and the public sector borrowing requirement. But his recognition owed a lot to the tendency of sterling to fall alarmingly whenever it looked as if the money supply were out of control. All of us respond to our environment; and I would not put much money on such thing. It has been motivated mainly by a dislike of exchange rates being shifted by market forces. Its goal is to achieve a "zone of stability" in which a large EEC fund is available to defend exchange rates against so-called speculators. The object is certainly not to adjust UK monetary and fiscal policy to achieve, say, the German rate of inflation—an aim consciously disavowed. It is rather to ensure that—outside a limited range—exchange rate changes are of a size and timing determined by governments rather than the market.

Worst of all, with exchange rate changes no longer respectable, every aspect of policy would be one more distorted for balance-of-payments reasons. It is difficult enough to explain to politicians that overseas payments balance out automatically under a floating rate, and that loss-making industries do not have to be supported "because of their exports." The task would be well-nigh impossible under semi-fixed rates. These fears I have expressed are based not on crystal-gazing, but on the ways British Governments actually operate the Bretton Woods system. It would be a thousand ironies if in the name of mismanaged money union EEC Governments were to intensify capital controls, restrict travel across frontiers and go back in the progress already achieved on the dismantling of trade barriers.

## THE WEEK IN THE COURTS

# Equal Pay sorted out

BY JUSTINIAN

EQUAL PAY for equal work, for men and women alike, is the bald proclamation in Article 119 of the Treaty of Rome. It admits of no exceptions at all, although doubtless the European Court will need in due course to evolve some exceptions that will allow discrimination on grounds of merit, training, length of service and the like.

The English counterpart, the Equal Pay Act 1970, which came into force in December 1975, is not quite so simplistic in its method of achieving equality of the sexes on the labour market. As a result, doubts have persisted whether an employer could properly pay a new (male) employee more than his existing (female) employees simply because the going rate on the labour market was higher than the employer's rate for the job that he paid to his existing employees.

So long as the employer did not intend to discriminate between his male and female workers, but was forced to pay them unequally because of external economic forces at work, it was thought by some that the employer escaped the egalitarian effects of the new law.

## Backdoor

Last week the Court of Appeal in *Fletcher v. Clay Cross (Quarry Services) Ltd* put paid to the idea that inequalities in payment to men and women doing the same work could persist by the backdoor methods for external economic factors.

The court held that an employer could not avoid his responsibilities by proving merely that he did not intend to discriminate. If lack of intention were to provide a lawful excuse for variation in pay between the sexes, the 1970 Act would assuredly have said so. It palpably did not.

The *Clay Cross* company employs three clerks in its sales office. One of them is Mrs. Fletcher, who started work for the company in 1972 when she was 18. In June 1975, when she was the eldest of the three, one of them left and the company advertised the vacancy. Only one of the applicants was suitable; he was a man aged 34.

When he was asked what he wanted, he insisted on £43 a week, the amount he was getting at his previous employment, and was not willing to move for less pay. The company engaged him at that rate.

That rate was much higher than his two new (female) colleagues were getting. Mrs. Fletcher and the other woman were receiving only £35 a week. At first Mrs. Fletcher did not complain, even though it was she

who for some time trained the new (male) employee. Immediately upon the coming into force of the new law the employers increased all the wages of their clerks by £6 a week. Mrs. Fletcher got £41, but the new employee's wages went up to £49.

Lord Justice Lawton gave an apt example. A woman chemist recently graduated takes up a post at a foreign sales laboratory. She is not entitled to be paid the same salary as a man working alongside her but who had 25 years experience behind him. If, on the other hand, a few months after her employment began a man straight from university joined with the same qualifications as hers and was paid a higher salary merely because he asked for it, she would have to be paid at the same, higher rate.

It is the personal equations of the male and female workers employed by the same employer that matter, and that will determine whether there is any material difference so as to justify a differential in pay. Exceptions based upon economic factors or market pressures do not form part of any personal equation so as to avail the employer of his entitlement to discriminate lawfully.

It would frustrate the purpose of the legislation if a man asked for more money than a woman is being paid for like work and got more money because of his strong bargaining power was enough to satisfy the exception to the "equality clause."

If the reason had nothing to do with sex, so the argument ran, then the employer could pay more. It placed reliance upon the evidence of the managing director who said that sex was of no significance; had the male applicant been a woman the company would have employed her at that rate.

The Equal Pay Act provides that where a woman is employed on like work with a man in the same employment she shall not be treated less favourably in the terms of her contract than the comparable male worker. This is known as the "equality clause."

scarcely then shifts—the employer is entitled to rely on a later provision which states that an equality clause shall not, however, operate in relation to a variation between the woman's contract and the man's contract if the employer proves that the variation is genuinely due to a material difference (other than the difference of sex) between her case and his.

The first thing to note about this provision is the use of the word "cases." The material difference that has to be established is between the respective male and female cases; not their contracts, their skills or their employment.

The law asks that the material difference be judged as between her case and his case, and her case and his case. The qualification she has for it, her length of service in it, the skill she exhibits in performing it and the responsibilities she undertakes

## OPEN CHAMPIONSHIP BY BEN WRIGHT

# Nicklaus summons the vital putts...

JACK NICKLAUS's third victory in the British Open golf championship and his second over the Old Course at St. Andrews was perhaps the most precious of all his major championship victories. When he has achieved as much as Nicklaus, the ultimate satisfaction is to play a nearly perfect golf shot as one can fashion, and this was why Nicklaus was so exhilarated on Saturday evening, when he put on a party for the 58 members of his entourage who had travelled from the U.S. because Nicklaus had told them that he felt he was ready to win a major title again.

Humble pie was on the menu for me and several Americans who fancied that Nicklaus was no longer capable of summoning the vital putts in moments of crisis, since he had faltered in championships for the last three years.

How satisfying it was to be proved wrong! A couple of months ago, a group of us were sitting with a man in the clubhouse at Muirfield Village Golf Club, the glorious course that Nicklaus designed and with which he continually tinkers to improve.

"Do you fellows really mean it when you say I would not win again if I so wish?" Nicklaus asked us. The reply, almost in unison, was "No, sir."

In the crisis late on Saturday, Nicklaus once again dug deep into his seemingly bottomless well of concentration and determination when he was suddenly faced with a familiar situation. It appeared certain that once again he was going to be deprived of the 11th hour of the victory he craved more than most.

Simon Owen, the pleasant New Zealander who has had very little experience of victory—I suppose his best performance was to be the second individual in the World Cup of 1976, on his first visit to the U.S.—told me later that he had chipped in for a birdie at the 15th hole to take 3, 4, 5, 3 finish. But this has been the lead from his partner he had



Jack Nicklaus celebrates victory with his caddy.

felt Nicklaus's eyes boring into him. "It was a scary thing," Owen told me. "But I do not feel that I really blew my chance. It was just that I was fairly and squarely beaten by the better man."

Well said! Nicklaus summoned a glorious second shot with his nine iron to the 16th green and for once summoned a telling putt of six feet for his birdie—having previously missed from around this distance and up to twice as far for so many squandered birdie opportunities.

## Doomed

Because Owen went through the green onto the 17th tee, and could not get near the hole from there, there was the vital two strokes swing. At last Nicklaus managed to make his first par at the 461-yard 17th "Road Hole" that had wrecked so many others, most notably Palmer and Ballesteros.

When Owen went on to the dreaded road after driving into the rough he was as good as doomed, but Nicklaus still made things difficult for himself with an inexplicably poor pitch-and-run shot away from the hole, to the back of the 18th green.

Happily he did not miss the three foot second putt similar to the one that deprived Doug Sanders of victory over him in the 1970 playoff. Ben Gresham, made a brave late bid for the title he craved as badly as did Nicklaus with a birdie at the 15th hole to take 3, 4, 5, 3 finish. But this has been the pattern of his near-

misses in championship play. The fact is that he had removed himself from contention early in the round as did Tom Watson, the defending champion, after a most embarrassing tie with a BSC cameraman.

Tom Kite played as soundly as he always does to take a share of second place with Gresham, the heroic Owen, and Ray Floyd, who equaled the best round of the day with a 68 thanks to a magnificent inward half of 31 that contained only 11 putts. On Friday Owen had put together six consecutive threes from the 7th hole, around "The Loop." On Saturday he failed to make his three at the 7th, but then had five in a row to put himself into position to win the championship. It has always been said that Nicklaus was over the Old Course by three holes, but he made his mark around the Royal and Ancient Club, and the weather, not to speak of the splendour of the play.

## GAMBLING BY MICHAEL THOMPSON-NOEL

# Bookies, bingo and universal truths

THERE IS no doubt about it: at £7.50 the report of the Royal Commission on Gambling is a very good read—indeed an ongoing read. Its textual delights are so completely sustained, analysis, annexes and appendices that the gambling connoisseurs have not their heads down combing back and forth for weak or missing links in a virtuoso chain of argument which will cost the biggest of big money in millions in profits. Where it feels the need, the commission rolls up its sleeves and digs deep into formulae, observing on page 148, for example, that "at present football gets 2.65 per cent of (pool) turnover in the British football season after deduction of pool betting duty, which is: £73/100 (258 - 40/100 x 258) = £2,446,538." (The figures relate to 1976-77.)

At other times the commission enjoys itself stylistically, prefacing its discussion of bookmakers' profits by observing that, as Jane Austen might have said, it is a truth universally acknowledged that bookmakers make too much money, before turning to the sense and sensibility of its consulting accountants and concluding, most un-Austen-like, that the majority of bookies do not make excessive profits.

There are many other graceful touches, particularly in the chapters on horse racing and football (it will be remembered that one of the commission's terms of reference was to investigate the contribution made to sport by gambling). The commission had to wade through thousands of words devoted to the argument that racing needed more prize money—an extra double in the English and Irish Derbies, and the English and Irish Oaks. The stewards took more than half-an-hour to reach the decision and placed Sorbus second. The Curragh stewards were angered by it. First prize money is £25,000.

None of the experts could recall a case of a trainer appealing to the ruling body to overrule such a decision by the course stewards in an English or Irish classic race.

Oxx now has until tomorrow to decide whether to proceed.

Dare Wigan's selection for today's racing:

3.00—Gunnatall Blue  
3.30—Le Moss  
4.00—Franklyn  
5.00—Inside Quarter  
LEICESTER  
3.15—Foreign Intrigue  
4.15—Captain Irish  
4.45—Collect  
WINDSOR  
7.30—Boondara  
8.00—General Atty  
8.30—Pagos Boy

The stewards' decision meant that Starkey had completed doubles in the English and Irish Derbies, and the English and Irish Oaks. The stewards took more than half-an-hour to reach the decision and placed Sorbus second. The Curragh stewards were angered by it. First prize money is £25,000.

None of the experts could recall a case of a trainer appealing to the ruling body to overrule such a decision by the course stewards in an English or Irish classic race.

Oxx now has until tomorrow to decide whether to proceed.

Dare Wigan's selection for today's racing:

3.00—Gunnatall Blue  
3.30—Le Moss  
4.00—Franklyn  
5.00—Inside Quarter  
LEICESTER  
3.15—Foreign Intrigue  
4.15—Captain Irish  
4.45—Collect  
WINDSOR  
7.30—Boondara  
8.00—General Atty  
8.30—Pagos Boy

did before the middle of the 19th century, but that is a long way to try to put the clock back. That may seem a mild enough statement, but its true delight is that it puts into perspective the argument of owners, trainers and members of the Jockey Club—an argument advanced for at least 50 years—that the decline of the sport is imminent. The number of horses in training over the last three years has been consistently high, says the report (the figure at May, 1977, was 11,235). "Equally, there has been no decline in the number of trainers. Few of them would want to make a profit, but they seem to stay in business."

The argument for higher prize money has very little to do with the poor state of stable staff—increased wages should come from higher training fees, says the report. Equally, it has very little to do with stemming the export of top bloodstock. "If the scale of exports has increased in recent years, the reasons are, we believe, to be found rather in the weakness of the pound, the poor state of the economy and the levels of British taxation than in the amounts paid as prize money."

In a nutshell, the commission is of the firmly held view that the essential standards and historic virtues of British racing can be maintained with fewer horses and fewer races. Soccer, on the other hand, needs help. It is a hobby of some commentators to dwell on the losses the nation has suffered in the sheets of the majority of League clubs, and conclude, rather grandly, that this is solely due to the suspended animation of the club management. The commission was more generous, acknowledging that soccer in this country has reached the point where most of its plant needs major renovation. Further, it

needs help on meeting the cost of safety regulations and combating hooliganism by providing more seats.

The commission proposes a Football Board to administer £7m worth of aid to soccer at 1977 prices. Last year, pools stakes totalled £226m, of which £103m went in pool betting duty, £75m in expenses, £23m in winnings and £23m in profits. Because of the commission's proposed £100m national lottery for good causes, it reckons pools stakes, at 1977 prices, would have topped 13 per cent to £225m. The £7m for soccer would have been collected via a 3 per cent surcharge on turnover offset by a 3 per cent reduction in the pool betting duty.

On these figures, the Treasury's share of pools turnover last year would have dipped from £103m to £83m, although it could not be expected to object, because in its final balance sheet the commission shows how the total duty and tax paid from gambling for 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

It is this interlocking that is the report's greatest strength. The commission has delivered a total package that is likely, sooner rather than later, to attract reasonably unqualified support from the legislators. As Lord Rothschild, the commission's chairman, might have said, the 1977 would have improved from £118.25m to an estimated £147.4m if all its recommendations are adopted. The national lottery, for example, is shown as yielding £10m and the commission proposes for stiffer higher casino duties would have produced an extra £48.9m.

## TV/Radio

Indicates programme in black and white

**BBC 1**

6.40-7.55 am Open University (Ultra High Frequency only). 10.40 Cricket—England vs New Zealand, 1.15 pm News, 1.30 Mr. Benn, 1.45 Cricket, 4.15 Regional News (except London), 4.30 Play School, 4.45 Great Grape Ape, 5.05 Blue Peter, 5.15 News, 5.35 The Wombles, 5.40 News, 5.55 Nationwide (London and South East), 6.20 Nationwide, 6.50 Come Back Mrs. Noah, 7.20 Jacques Cousteau, 8.00 News, 8.25 Royal International Horse Show, 10.45 Revolution, 11.15 The Spinners, 11.45 Weather/Regional News.

**BBC 2**

6.40-7.55 am Open University. 11.00 Play School, 1.15-1.45 pm, 4.55-7.00 Cricket: The Presidential Trophy: England v New Zealand, 7.00 News headlines, 7.05 Cartoon, 7.30 News, 7.45 Grapevine, 8.15 The Two Ronnies, 9.00 Eleanor Marx, 10.05 Hospital, 10.30 News, 11.20 Multi-Racial Britain, 11.45 News, 11.55-12.05 am Closedown reading.

**Channel 4**

9.20 am Life's Paint with David Bellamy, 9.55 Paint Along with Nancy, 10.20 Oscar, 10.30 Little House on the Prairie, 11.20 21st Century, 11.45 Felix the Cat, 12.00 Pantomime, 12.10 Hickory House, 12.30 Untamed World, 1.00 News plus FT index, 1.20 Help, 1.30 About Britain, 1.40 Car News, 1.45 pm News, 1.50-2.00 pm, 4.20 Clapperboard, 4.45 The Famous Five, 5.15 Batman, 5.45 News, 6.00 The Thames at 6, 6.40 Help, 6.45 The Kenny Everett Video Show, 7.20 Coronation Street, 8.00 You're Only Young Twice, 8.30 World in Action, 9.00 Strangers, 10.00 News, 10.30 Appointment with Fear, Vincent Price, Robert Quarry in "Dr. Phibes Rises Again", 12.10 am Close, Gerard Manley Hopkins poem read by Michael Burrell.

**ITN**

All ITN regions as London except at the following times:

**ANGLIA**

10.30 am Friends of Man, 10.40 Record, 10.50 News, 11.00 News, 11.10 News, 11.20 News, 11.30 News, 11.40 News, 11.50 News, 12.00 News, 12.10 News, 12.20 News, 12.30 News, 12.40 News, 12.50 News, 1.00 News, 1.10 News, 1.20 News, 1.30 News, 1.40 News, 1.50 News, 2.00 News, 2.10 News, 2.20 News, 2.30 News, 2.40 News, 2.50 News, 3.00 News, 3.10 News, 3.20 News, 3.30 News, 3.40 News, 3.50 News, 4.00 News, 4.10 News, 4.20 News, 4.30 News, 4.40 News, 4.50 News, 5.00 News, 5.10 News, 5.20 News, 5.30 News, 5.40 News, 5.50 News, 6.00 News, 6.10 News, 6.20 News, 6.30 News, 6.40 News, 6.50 News, 7.00 News, 7.10 News, 7.20 News, 7.30 News, 7.40 News, 7.50 News, 8.00 News, 8.10 News, 8.20 News, 8.30 News, 8.40 News, 8.50 News, 9.00 News, 9.10 News, 9.20 News, 9.30 News, 9.40 News, 9.50 News, 10.00 News, 10.10 News, 10.20 News, 10.30 News, 10.40 News, 10.50 News, 11.00 News, 11.10 News, 11.20 News, 11.30 News, 11.40 News, 11.50 News, 12.00 News, 12.10 News, 12.20 News, 12.30 News, 12.40 News, 12.50 News, 1.00 News, 1.10 News, 1.20 News, 1.30 News, 1.40 News, 1.50 News, 2.00 News, 2.10 News, 2.20 News, 2.30 News, 2.40 News, 2.50 News, 3.00 News, 3.10 News, 3.20 News, 3.30 News, 3.40 News, 3.50 News, 4.00 News, 4.10 News, 4.20 News, 4.30 News, 4.40 News, 4.50 News, 5.00 News, 5.10 News, 5.20 News, 5.30 News, 5.40 News, 5.50 News, 6.00 News, 6.10 News, 6.20 News, 6.30 News, 6.40 News, 6.50 News, 7.00 News, 7.10 News, 7.20 News, 7.30 News, 7.40 News, 7.50 News, 8.00 News, 8.10 News, 8.20 News, 8.30 News, 8.40 News, 8.50 News, 9.00 News, 9.10 News, 9.20 News, 9.30 News, 9.40 News, 9.50 News, 10.00 News, 10.10 News, 10.20 News, 10.30 News, 10.40 News, 10.50 News, 11.00 News, 11.10 News, 11.20 News, 11.30 News, 11.40 News, 11.50 News, 12.00 News, 12.10 News, 12.20 News, 12.30 News, 12.40 News, 12.50 News, 1.00 News, 1.10 News, 1.20 News, 1.30 News, 1.40 News, 1.50 News, 2.00 News, 2.10 News, 2.20 News, 2.30 News, 2.40 News, 2.50 News, 3.00 News, 3.10 News, 3.20 News, 3.30 News, 3.40 News, 3.50 News, 4.00 News, 4.10 News, 4.20 News, 4.30 News, 4.40 News, 4.50 News, 5.00 News, 5.10 News, 5.20 News, 5.30 News, 5.40 News, 5.50 News, 6.00 News, 6.10 News, 6.20 News, 6.30 News, 6.40 News, 6.50 News, 7.00 News, 7.10 News, 7.20 News, 7.30 News, 7.40 News, 7.50 News, 8.00 News, 8.10 News, 8.20 News, 8.30 News, 8.40 News, 8.50 News, 9.00 News, 9.10 News, 9.20 News, 9.30 News, 9.40 News, 9.50 News, 10.00 News, 10.10 News, 10.20 News, 10.30 News, 10.40 News, 10.50 News, 11.00 News, 11.10 News, 11.20 News, 11.30 News, 11.40 News, 11.50 News, 12.00 News, 12.10 News, 12.20 News, 12.30 News, 12.40 News, 12.50 News, 1.00 News, 1.10 News, 1.20 News, 1.30 News, 1.40 News, 1.50 News, 2.00 News, 2.10 News, 2.20 News, 2.30 News, 2.40 News, 2.50 News, 3.00 News, 3.10 News, 3.20 News, 3.30 News, 3.40 News, 3.50 News, 4.00 News, 4.10 News, 4.20 News, 4.30 News, 4.40 News, 4.50 News, 5.00 News, 5.10 News, 5.20 News, 5.30 News, 5.40 News, 5.50 News, 6.00 News, 6.10 News, 6.20 News, 6.30 News, 6.40 News, 6.50 News, 7.00 News, 7.10 News, 7.20 News, 7.30 News, 7.40 News, 7.50 News, 8.00 News, 8.10 News, 8.20 News, 8.30 News, 8.40 News, 8.50 News, 9.00 News, 9.10 News, 9.20 News, 9.30 News, 9.40 News, 9.50 News, 10.00 News, 10.10 News, 10.20 News, 10.30 News, 10.40 News, 10.50 News, 11.00 News, 11.10 News, 11.20 News, 11.30 News, 11.40 News, 11.50 News, 12.00 News, 12.10 News, 12.20 News, 12.30 News, 12.40 News, 12.50 News, 1.00 News, 1.10 News, 1.20 News, 1.30 News, 1.40 News, 1.50 News, 2.00 News, 2.10 News, 2.20 News, 2.30 News, 2.40 News, 2.50 News, 3.00 News, 3.10 News, 3.20 News, 3.30 News, 3.40 News, 3.50 News, 4.00 News, 4.10 News, 4.20 News, 4.30 News, 4.40 News, 4.50 News, 5.00 News, 5.10 News, 5.20 News, 5.30 News, 5.40 News, 5.50 News, 6.00 News, 6.10 News, 6.20 News, 6.30 News, 6.40 News, 6.50 News, 7.00 News, 7.10 News, 7.20 News, 7.30 News, 7.40 News, 7.50 News, 8.00 News, 8.10 News, 8.20 News, 8.30 News, 8.40 News, 8.50 News, 9.00 News, 9.10 News, 9.20 News, 9.30 News, 9.40 News, 9.50 News, 10.00 News, 10.10 News, 10.20 News, 10.30 News, 10.40 News, 10.50 News, 11.00 News, 11.10 News, 11.20 News, 11.30 News, 11.40 News, 11.50 News, 12.00 News, 12.10 News, 12.20 News, 12.30 News, 12.40 News, 12.50 News, 1.00 News, 1.10 News, 1.20 News, 1.30 News, 1.40 News, 1.50 News, 2.00 News, 2.10 News, 2.20 News, 2.30 News, 2.40 News, 2.50 News, 3.00 News, 3.10 News, 3.20 News, 3.30 News, 3.40 News, 3.50 News, 4.00 News, 4.10 News, 4.20 News, 4.30 News, 4.40 News, 4.50 News, 5.00 News, 5.10 News, 5.20 News, 5.30 News, 5.40 News, 5.50 News, 6.00 News, 6.10 News, 6.20 News, 6.30 News, 6.40 News, 6.50 News, 7.00 News, 7.10 News, 7.20 News, 7.30 News, 7

# Land of Hope and Glory!

by B. A. YOUNG

"A portrait of a community in words and music" is what the Cremlay Operatic and Dramatic Society has entered for the EEC international arts festival, and that is what we see in the second half of the evening. In the first half, the international adjudicators for the British semi-finals, being an hour late, we are taken into the drawing-room of Mrs. Sluggitt, the producer, where we meet her family, her neighbours and the company.

This is one of those shows in which the laughs are obtained by doing things wrong as they are done in real life, only more so. Some extra laughs are injected by the rumoured presence in the district of a murderous psychopath and by the predictable misunderstandings that result when one of the company loses a cock. The Stratford company does things as wrong as can be as they follow a script by Roy Kift and Patrick Barlow under the direction of Penny Cherns.

There is no point in writing learned criticism about such a show; all that matters is that

the house should enjoy it, and the Stratford house, with the privilege of drinking and smoking in the auditorium, clearly enjoyed it a lot. Mrs. Sluggitt, played in drag with a minimum of subtlety by Patrick Barlow, is evidently an old friend; the audience knew her, and were always ready with a little back-racking. They joined in the community song, encompassing with embarrassment its words in English, Danish, German, French and Dutch. They laughed dutifully at the cues presented to them in the sketch about local radio (an essential part of community life today).

I felt rather as if I had gate-crashed on a stranger's party; but the strangers were clearly doing their best to make sure I had a good time, and I hope they had one too. Naive, good-natured, and almost entirely clean—this must be a better formula for domestic entertainment than reconstruction of a music-hall ambience that only senior citizens really recall in its true colours.



Peter Arens and Christiane Möhriger in Klingenberg's production of *The Taming of the Shrew*

Zurich

## Taming of the Shrew

by OSSIA TRILLING

Discounting the guest-visit of the West Berlin Schaubühne production of *As You Like It*, which extended this year's Zurich June festival well into July, the remaining drama was conspicuously thin on the ground. Gerhard Klingenberg, when taking over the management of the Schauspielhaus in January, had, in any case, decided to postpone inviting foreign drama companies until 1979, when his new policy promised an international season built on a common theme, or on a single playwright's works in several languages, or both. His own theatre's contributions were cut from three to two, after the sickness of Heidemarie Hatheyer had led to the last-minute cancellation of Hartmut Lange's production of his own *Frau von Hausen*, a Swiss premiere, on the small stage.

Two remaining entries, equally new to Zurich, were Klingenberg's translation of the two Elizabethan *Shrew* dramas, which he directed himself, borrowing the framework of the anonymous play to enable the drunken Christopher Sly to watch the strolling Italian

players in their platform-macabre epilogue in a Hell whose inmates quench the fires in support of an industrial strike rather than leading roles. Anne Marie Blanc, as the Widow, and Maria Becker as the Hostess (though she soon dropped out, apparently to be free to rehearse Miss Hatheyer's role when Lange's play opens on the large stage in the autumn), are two more shining examples of the policy. In Jörg Zimmermann's vast baronial hall Peter Ehrlich, as the fuddled Sly, is right royally entertained on a fit-up boisterous Patricio (Peter Arens) and a tombolaish Katharine (Christiane Möhriger), two really normal and decent people at heart, fall in love at first sight and find themselves compelled to learn how to tame social tradition and sexual convention in their pursuit of true happiness.

Beck also gives a masterly comic portrayal of the humiliated tailor in Klingenberg's production, a showy cameo part that bears out Stanislawski's dictum about there being no small parts, only small actors, and honours Klingenberg's ability to persuade his star players to undertake rather than leading roles. Anne Marie Blanc, as the Widow, and Maria Becker as the Hostess (though she soon dropped out, apparently to be free to rehearse Miss Hatheyer's role when Lange's play opens on the large stage in the autumn), are two more shining examples of the policy. In Jörg Zimmermann's vast baronial hall Peter Ehrlich, as the fuddled Sly, is right royally entertained on a fit-up boisterous Patricio (Peter Arens) and a tombolaish Katharine (Christiane Möhriger), two really normal and decent people at heart, fall in love at first sight and find themselves compelled to learn how to tame social tradition and sexual convention in their pursuit of true happiness.



Tina Marian, Patrick Barlow and Vincent Brimble

Wigmore Hall

## Christa Ludwig

by RONALD CRICHTON

The Wigmore Hall Summer Festival, with a concert every night, late-night shows on Saturdays and Sunday matinees, is well known to London as a recital of Christa Ludwig. Miss Ludwig's appearances here in any form have been rare in recent years—an Amurris at Covent Garden stunningly changed by those who heard it, a Carmen there only moderately successful. Yet she has not lost her public—the hall was packed and the thunderous welcome she received would have heartened any artist.


It is a pleasure to report that the voice was in fine condition, much better than for Carmen or for her intelligent but tonally insecure Clytemnestra and

Waltraud Fricks in Paris, as fine as the best of her Marschallin there. It almost sounded on Saturday as though the voice had been taken to bits, cleaned and put together again. In the process, and judging solely on this single occasion, Miss Ludwig, risking an over-simplification or two, seems to have changed from what one may roughly call a Schwarzkopf to a Seefried type.

In the interval a respected and experienced musician remarked: "But she isn't acting with her voice." True, up to a point, but what might be blank and lifeless in a young singer innocent of such arts is not that with an artist of this calibre who knows the music and the inter-

pretative possibilities backwards. There is a great deal to be said for such straightforward (but not too straightforward) use of solid solids from the classical Lied repertoire such as we were given on Saturday, with gorgeously steady middle notes, rich but not cheaply low ones, and staunch legato for Schubert's "Im Abendrot." Death's verse in "Der Tod und das Mädchen," most notably of all for Schumann's "Stille Tränen." Not every problem was solved. There was rather too much singing below the note—the ball was baking hot—and occasionally Miss Ludwig pushed a note out of true upwards. High notes (not much required in this programme) had a suspicion of shrillness. In the first half Geoffrey Parsons was supporting the singer too generously. After the interval, with Wolf, Mahler

and Strauss, the balance came right, though not even this pianist can compensate for the absence of an orchestra in "Ich bin der Welt abhandeln gekommen." Wolf's Mignon Songs included a "Heiss' mich nicht reden" so poignant that the only comparison I can think of is the "Ich bin der Welt abhandeln gekommen." The three verses failed to knit into one sustained cry of longing, was a surprise. Though the emotional reticence of the Mahler song already mentioned (also of "Ich steh' allein Linden Duft") was welcome, one suspects that Miss Ludwig is just a natural Mahlerian than a Straussian. The lovely simplicity of "Du meinest Herzchen Kronelein" did not disguise a wealth of skill in the placing of one note after another and in the control of line in "Ruhe meine Seele."



### SCOTTISH WIDOWS

## HEAD OFFICE

## EXECUTIVE

The Directors of the Scottish Widows' Fund and Life Assurance Society announce that Mr G A Kingsnorth FIA, the General Manager and Actuary, will retire on 30 September 1978. The Directors have made the following appointments as from 1 October 1978. Mr C M Cavaye MA FFA to be General Manager and Actuary. Mr J Elder FFA to be Deputy General Manager and Secretary.

Wimbledon Theatre

## Royal Ballet School

by CLEMENT CRISP

The Royal Ballet School's young hopefuls met in Wimbledon last week, and there was plenty to reward talent-spotters. One particular attraction was a diversion made by the Jonathan Burrows, who is still at the Upper School, his *Kalidasa* is set to Eugene Goossens' music, and is devised for the children of the Lower School. Faced with the many and various problems of writing for very young dancers, Mr Burrows has come up with the idea of children's games, and he manipulates his legion of innocent performers with commendable skill.

There is not a lot that can be done with those delicate limbs and merry faces: I loathe all

child performers—my hero has even been Herod—but Mr Burrows invents jolly incident, and sets it firmly on the music, and is quite clearly able to make choreography. A talent to watch. The remainder of the programme, which I saw comprised the hushed and beautiful *Les Sylphides* that Dame Alicia Markova has coaxed from the students, and *Birthday Offering*: both have the slight variations of cast from the Covent Garden performance last week.

I am an admirer of the *lento e molto legato* view of Fokine's ballet. Too often today choreography is gabbled; Markova's insistence upon a full and sustained statement of the dances, upon time for each phrase to be properly explored, brings exactly the reward that can be heard in the recordings of pianists of an earlier generation, whose interpretations put to shame the whizzled bravura of some of today's key-board liggers, who know no tempo except presto and no value below a mezzo-forte.

In *Les Sylphides* there are delicate gradations of tone to be seen with these apprentice dancers, and they are rewarding to watch.

In *Birthday Offering* a major cast change came with Dido Nicolson's assumption of the "Fonteyn" role. It is an interpretation far more convincing than it should be from so inexperienced a dancer—which may sound graceless as praise, but it is praise nevertheless. Miss Nicolson is radiantly pretty and has, as I reported last week, very pretty feet. She also shows an imaginative understanding of what she dances: the variation and the pas de deux made sense, not as technical difficulties overcome, but as choreography that had a shape and purpose. Miss Nicolson is a charmer, and her gift for dancing looks tender but true. I hope it may flower, and win her a splendid career.

# APOLLO

Edited by Denys Sutton

## THE WORLD'S LEADING

## MAGAZINE OF ARTS

## AND ANTIQUES

Published monthly price £2.00 Annual Subscription £25.00 (inland)  
Overseas subscription £28.00 USA & Canada Air Assisted \$56  
Apollo Magazine, Bracken House, 10, Cannon Street, London, EC4P 4BY  
Tel. 01-248 8000

### SCOTTISH WIDOWS

## HEAD OFFICE

## EXECUTIVE

The Directors of the Scottish Widows' Fund and Life Assurance Society announce that Mr G A Kingsnorth FIA, the General Manager and Actuary, will retire on 30 September 1978. The Directors have made the following appointments as from 1 October 1978. Mr C M Cavaye MA FFA to be General Manager and Actuary. Mr J Elder FFA to be Deputy General Manager and Secretary.

Prague Festival

## The Divine Bohemian

by WILLIAM WEAVER

To the foreign visitor from the West, the opera repertory in Prague seems exotic and appealing, especially if that visitor is interested in Slavic music. Last month, for instance, included a number of international staples: *Carmen*, *La Bohème*, *Rigoletto*, *The Magic Flute*, *Così fan tutti*, and *The Seraglio* (the Mozart operas given in the Tyl Theatre, where *Don Giovanni* had its premiere). But there were also performances of Smetana's *The Secret* and *The Kiss*, as well as Dvorák's *The Jacobin* and Janáček's *Jenufa*. The *Makropulos Case* and *The Cunning Little Vixen* (besides the special festival productions of his *Sárka* and *Osud*, mentioned in a previous report). Other Dvorák and Janáček operas are done regularly, as is virtually the complete Smetana canon, plus works by Fibich and Martinu. A typical season would also include some Russian works (Tchaikovsky, Mussorgsky, Prokofiev and, perhaps, a contemporary composer like Hyril Moichanov).

Last month's operatic fare—characteristic of the city—provided the visitor with an opportunity to hear Smetana's *The Secret* at the Smetana Theatre and, at the Tyl, a special revival of a true rarity: *Il Gran Tamerlano* by the 18th-century composer Josef Mysliveček. As it happened, the repertory performance was more interesting and enjoyable than the special festival production.

The Grove entry on Mysliveček (Prague 1737/Rome 1781) contains the beguiling sentence: "he was afflicted with a sorry disfigurement by the loss of his nose, due to the clumsiness of a surgeon." Fortunately *Il Gran Tamerlano* was written in 1771,

some years before this unhappy event, and performed in Milan, apparently with success. Mysliveček, known to the Italians (never good at foreign names) as "il divino boemo," went on to write for Turin, Pavia, Naples, Venice, Rome; then he fell on hard times and died in poverty. His works soon vanished from the theatres, but in this century—since the 1930s, more or less—there has been a renewal of interest in him, at least in Czechoslovakia, where several of his operas have been revived and some of his non-operatic music has been recorded.

His *Tamerlano* (which was given at the Tyl in a Czech translation) certainly contains some lovely passages, and is never less than well-crafted. Yet notably, there are apparently no singers who specialise in baroque music or understand its peculiar requirements; and much of what was to be heard during the revival was painful to the ear. In the exciting title role, the bass Miroslav Frydlewicz bawled most of his music. The soprano Nad'a Sormova (Asteria) was pleasant, though hardly appropriate. The most enjoyable solo singing came from the veteran bass Karel Berman (Bajazet). Premysl Charvat conducted unexceptionally. The sets (by Kvetoslav Bubenik), the costumes (Adolf Wenig), and the staging (Ladislav Stránský) were perfectly coherent and dreadful. Obviously the three men agreed in their distrust of the work and were determined to distract the audience totally from the music. The production was aggressively ugly. The *Divine Bohemian* may not be a major composer, but he is certainly an interesting artist and he deserved greater respect.

Smetana's *Tajemství* (*The Secret*) was given in a simple, appealing production dating from 1973. Josef Svoboda created quite attractive sets, and Jindřiska Hirschová provided sound, traditional costumes. The staging of Premysl Koci was also straightforward and helpful. Smetana's next-to-last opera is a deceptively complex piece, on the surface it is a village comedy, with one pair of thwarted young lovers paralleled by another pair of older lovers. In the end, of course, both old and young marry happily. But beneath this story there is a deeper melancholy. The comedy is not uproarious; the long-blinded lives of the older couple are made real and moving (especially in the second act monologue of Kalina, the man kept from his love by his poverty). There is a hint of the *Perdita* Wall. Smetana's opera—an ingenious supernatural element there Koci, using artificial amplification, somewhat violated the sweetness and innocence of the scene.

The cast was good and a real team. The young soprano Zora Juhelková (Bluzenka, the Juliet figure) was especially winning, and Bohuslav Hrabal was a good, but not humorous Bonifac, a comic Bragazat Soldier in the Belovce vein. It was a particular pleasure, too, to hear—in the small, but charming character role of the Minister—the great Sena Blazut, a star tenor of the Prague theatre a generation ago. The voice, of course, is almost gone, but the grace and intelligence are still there to guide its chieft. Josef Kuchinka, conducted with just the right blend of vigour and elegance. A lovely score, lovingly presented.

Poets exchange

## Lillie Langtry plaque

The Arts Council and the League of Canadian Poets are sponsoring an exchange visit of three Canadian poets to England and three English poets to Canada in late September-early October.

The English poets are C. H. Sisson, Geoffrey Hill and Brian Patten. They fly to Toronto on September 22 and the following day will take part in a combined reading and reception with the Canadian poets who will be arriving in London on September 25. The Canadians will tour the regions and will finally take part in a combined reading with the three English poets at the Institute of Contemporary Arts on October 8.

The Canadian poets are P. K. Page, Earle Birney and Michael Ondaatje.

Lillie Langtry, the greatest stage beauty of the late Victorian and Edwardian periods, is to be commemorated by a GLC plaque at her former house at 21 Pont Street, Chelsea.

Lillie Langtry, popularly known as the "Jersey Lily," was born in 1852. Although not considered a great actress, she played a varied role in the theatre as actress, manager, author and owner.

She took over the Imperial Theatre, Westminster, in 1900 and rebuilt it in Grecian style. She continued to act and produce and travelled widely in the U.S.

In 1877 she met the then Prince of Wales, later Edward VII and became a popular member of his circle.

Lillie Langtry lived at 21 Pont

Street from 1892 to 1897 and the house, now a hotel, remains virtually unaltered outside.

Vladislav Plavko, principal tenor at the Bolshoi Opera will make his British debut at the Benson and Hedges Music Festival at Snape Maltings in October. His main appearance will be on Sunday, October 8, when he will sing Rakhmaninov songs in a recital with the French pianist Jean-Philippe Collard. Plavko's accompanist will be another celebrated pianist, Craig Sheppard, who will also appear as soloist earlier in the festival.

Vladislav Plavko will also be appearing with many other Benson and Hedges Festival artists in the "Rachmaninovale" on Friday, October 6.

## ENTERTAINMENT GUIDE

THEATRES		THEATRES		THEATRES	
CHICHESTER	0243 5132. Tonight, July 15, 20, 21 at 7.00. The Aspern Papers by Michael Frayn. Tomorrow, 7.30. The Impresario's Comedy.	NATIONAL THEATRE	0252 2252. OLIVER (open stage). Ton., 7.30. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	VAUDEVILLE	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
CRITCHEY	0203 3216. CC. 025 1071-2. Tonight, 7.30. Sat. 8.00. NOW IN ITS SECOND YEAR. A HALF CENTURY OF THEATRE. VERY FUNNY. Sun., 2.00.	OPEN AIR, ROBERTS PARK, LONDON	01-437 5834. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	WESTMINSTER	01-838 0282. "MURDERED BY THE PRESS" by Michael Frayn. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	PHOENIX	01-535 2254. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	WHITEHALL	01-930 6922-7788. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	QUEEN'S THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat. 5.00. Dina, Shadrach, Daniel and Gaby. The New Musical Comedy.
DUKE OF YORK	01-535 5122. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	ROYAL THEATRE	01-734 1188. Tonight, 7.30. Sat. 8.00. Tomorrow, 7.30. Sat. 8.00. The Cherry Orchard by Chekhov. Tomorrow, 7.30. The Cherry Orchard.	YOUNG VIOLET	0252 8800. Etc. 8.00. Mat. Tues. 2.30, Sat.

## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BT

Telegrams: Finantime, London P54. Telex: 856341/2, 853897

Telephone: 01-248 8000

Monday July 17 1978

Coming clean  
on aircraft

IT IS now three weeks since Mr. James Callaghan, Prime Minister, promised that the facts would be placed before the House of Commons before any decisions were taken on the possible collaborative projects open to the British aerospace industry. A wholly inadequate attempt to do this was made when Mr. Gerald Kaufman, Minister of State at the Department of Industry, spoke in a debate last Monday.

The attempt was inadequate because Mr. Kaufman told the House no more—and in some areas rather less—than anyone has been able to read in the Press for many weeks past: that there is a market for new aircraft of a certain size, that British Aerospace has the choice of collaborating with Europe or with any of the big three American aircraft manufacturers, and that the interests of the three principal British entities concerned are different. British Airways and Rolls-Royce want to go American, while British Aerospace tends to prefer to go European. But because of the sums of money involved it is, in fact, the Government which will decide.

## Guarantees

Mr. Kaufman also said—as had Mr. Callaghan before him—that the decision would be taken on commercial grounds, and we would not dissent from that. While political factors cannot be entirely overlooked, the experience of Concorde alone is warning enough of the perils of building largely political aircraft. There can be no case whatsoever for going along with the French and Germans solely to show that we are good Europeans after all.

Yet to make a commercial decision it is necessary to have the facts, and the facts officially released so far amount to no more than the barest summary. We know, for example, that there has been an offer from McDonnell Douglas and so on, but no information at all has been given to the public about the details and the terms. It is said—in favour of the American offers—that acceptance is more likely to lead to orders for Rolls-Royce

engines. Yet, in practice, aero engines of comparable thrust nowadays have become pretty well interchangeable: it is the well interchangeable: it is the manufacturer which makes the final decision between Rolls-Royce and (say) Pratt and Whitney. It would therefore be useful to know how firm are the guarantees that Rolls-Royce would win substantial orders, for it would be foolish to imagine that its American competitors are sitting idly by.

It would be no less useful to know something of the nature of the collaboration proposed. The superficial attraction of going European is that Britain would be in partnership more or less with equals, and should thus have equal bargaining power. The converse of that is that going American—and especially going with Boeing—would put us in partnership with a giant. How is the long-term British interest in such a partnership to be assured? Is British Aerospace, for instance, to be allowed to take a stake in the Boeing equity? Or is there to be a joint subsidiary which would cooperate on a long-term basis and not just on a one-off project? These are feasible objectives. Perhaps they are being discussed. But, if so, the public needs to be told, so that informed opinion, and not just a Cabinet Committee, can reach a conclusion on the various options.

## Airbus

There is very little time left. The Europeans are ready to go ahead with their new version of the Airbus with or without British participation, and despite the loss of the United Air Lines order last week. Thus if we are going European we shall have to decide very soon.

Equally, however, the Government can have very little information left to gather. If it wanted to let the public know what is going on, it could publish a White Paper or make a statement to the House some time revealing what Mr. Kaufman within a matter of days. It should do so forthwith.

Tokyo Round  
on target

THE WESTERN leaders at the Bonn economic summit are being given an optimistic progress report from their international trade officials following last week's marathon series of sessions in Geneva. By the end of the week, Mr. Robert Strauss, President Carter's Special Trade Representative, felt able to claim that the back of the latest round of multilateral trade talks had been "totally broken," almost five years since it was first launched in September 1973. A statement agreed by all the countries represented in Bonn expressed confidence that the necessary political elements had finally been assembled to allow the technical details of a major trade reform package to be completed by the end of the year.

## Protectionist

With protectionist pressures daily increasing, the need for some kind of political breakthrough in Geneva was obvious to most of the major industrialised countries. Indeed, more sceptical observers felt that for this very reason the joint statement exaggerated the extent of the progress that had actually been made. It is quite clear that a number of serious difficulties remain to be resolved, particularly in agricultural trade, before the talks can be successfully concluded.

Yet there can be no denying that real progress has been achieved. The U.S. and the EEC have not solved all their differences over agriculture—an essential element of the final package if it is to be approved by the U.S. Congress. But they have got further than might have been expected only a few weeks ago. Washington has moderated its original demands for improved access to the Community for a wide range of farm products, while the Community, in return, has promised to see what concessions it can make later in the year.

Hard work remains to be done on industrial subsidies and countervailing duties imposed in retaliation. But the basis has been laid for an overall political deal under which Washington would accept stricter criteria

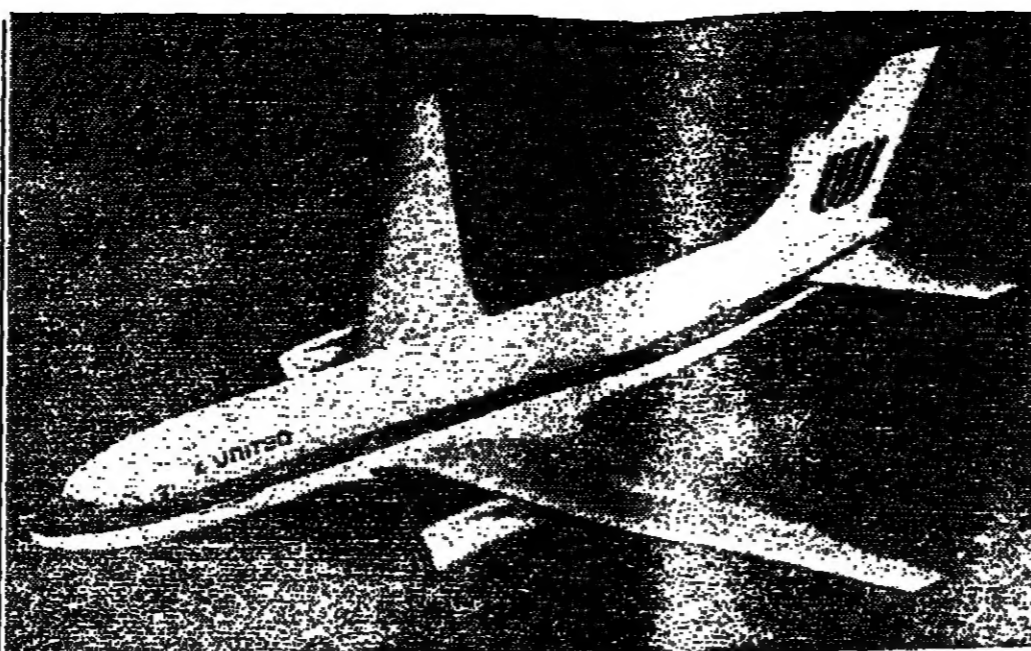
for the imposition of countervailing duties in exchange for greater subsidy discipline by the Europeans. One of the trickiest remaining issues will be the definition of the kind of subsidies that should be subject to this new discipline. Washington's list of potentially unacceptable subsidies, for instance, reads almost like a blow-by-blow description of the UK Government's industrial and regional policies.

There has also been considerable progress on one of the other main stumbling blocks, safeguard measures. The U.S. now accepts the EEC's demand that safeguards should in future be applicable selectively against individual countries—even if there are still differences about the procedures for doing so. Even Japan, which regards itself as the prime potential target for selective safeguards, is prepared to accept them on certain conditions.

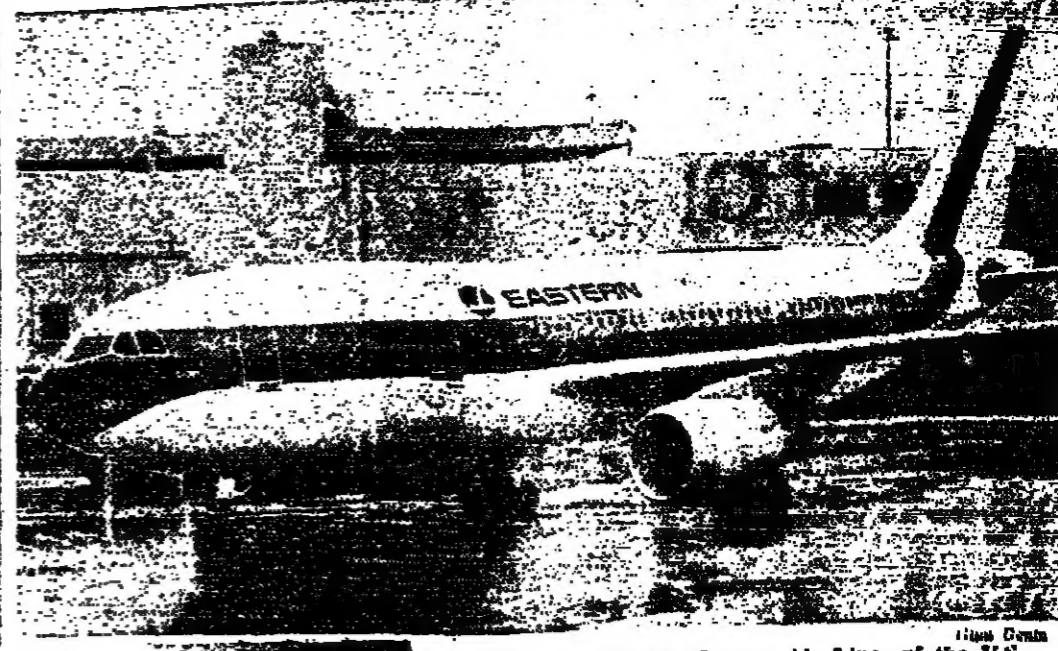
The proposed industrial tariff cut is still causing problems, with the U.S. and the EEC at loggerheads with Japan. But this is not the most important element of the round and should be soluble by mathematical skills. There will also have to be serious efforts to convince the developing countries that their interests have not been disregarded. Their mood last week was less militant than might have been expected, but it will not be possible to implement much of the final package without their agreement.

## Deadlines

International economic negotiations are notorious for missing their deadlines. It should be possible, however, to complete the Tokyo Round by the end of the year if there is sufficient determination on all sides. Time is running out for Congressional approval, given the strict time scale laid down by the U.S. Trade Act. It is important that the year-end deadline be met—not only as a demonstration that governments will resist protectionism but equally because the world's trading system urgently needs to be adapted to the new economic circumstances of the 1980s.



The new Boeing 767 airliner is shown on the left with the markings of United Air Lines. On the right, is the A-300 Airbus which is already in service with Eastern Air Lines of the U.S., and from which is being developed the new smaller B-10 version that will be directly competitive with the Boeing 767.



## New jets: the logjam breaks

By MICHAEL DONNE, Aerospace Correspondent

THE DECISION by United Air Lines of the U.S.—the highest airline in the West—to order 30 of the new Boeing 767 twin-engine 200-seat short-to-medium range airliner is expected to lead to a spate of other orders from airlines round the world over the next few weeks.

The entire world airline industry has been waiting for years to see which way United moved, and now that it has made its choice, many others will follow—including such big operators as American, Braniff, Delta and Trans World in the U.S., and elsewhere airlines in Western Europe, the Middle East and Australasia in particular. So far, British Airways—which last week signed for 19 Boeing 737 short-range jets worth £120m—has not indicated its intentions, but it is believed to be more interested in the longer-term prospects of the second of Boeing's proposed new jets, the smaller 180-180 seater 757, than in the 200-seat 767.

What is clear is that Boeing has picked up the challenge thrown down little more than a week ago by Airbus Industrie—the European consortium that builds the 250-seat A-300 Airbus—when it formally launched the smaller 200-seat B-10 version of the Airbus with orders and options from Lufthansa, Swissair and Air France to back up an earlier option for 25 aircraft from Eastern Air Lines of the U.S.

But while Airbus Industrie may have lost the battle for the United order, it still holds that from Eastern, and is engaged in many other fights, both inside and outside the U.S., on which decisions could come swiftly now that the flood-gates have been opened.

The world market for new jets of various kinds up to 1985 has been estimated by Boeing at over £40bn, both to meet the growing volume of world air traffic (the average annual rate of growth is estimated at 8.7 per cent to the mid-1980s), and to cope with the replacement market as older jets become less fuel efficient and less acceptable from increasingly noise-conscious communities near airports.

Of this market, over half or about £20bn is expected to be

in the short-to-medium range class, where most of the world's passengers travel and where over 2,000 aircraft can be expected to be ordered over the next few years. It is in this area that both Airbus Industrie and Boeing will be fighting, not only with their B-10s and 767s respectively, but also with their long-term aircraft—the existing 250-seat A-300 B-2 and B-4 airbuses, and the Boeing 777, which is a three-engine 200 seater with greater range than the 767. Boeing will also be offering the smaller 757, and it is here that the implications of the United decision begin to influence the UK. For what is now clear is that Boeing's original plans to launch a new family of jets for the 1980s have been given a massive boost, and over the weekend the U.S. manufacturer was stressing that it still firmly intended to push ahead with both the 757 and the 777. This means that it will need some help, in terms of development cash, factory space and trained engineers—because even a giant like Boeing cannot undertake three major new airliner ventures entirely alone.

Boeing's offer  
to the UK

To get this help, Boeing has been looking round the world, and has offered the UK a collaborative deal on the 757 that will ensure for British Aerospace manufacture of the wings, nacelles, landing gear, rear fuselage on that aircraft, and probably even more—such as flight test and final assembly in Britain—if the U.S. company finds that it really has got its hands full with the 767 programme.

But, at the same time, Airbus Industrie on the Continent, has been pressing the UK Government to re-join the consortium—of which it was a member several years ago until it withdrew on the assumption that the Airbus would never be successful—and win a share in the manufacture of the B-10 version of the aircraft, in addition to the private-venture work it already does on building the wings for the bigger A-300 B-2 and B-4 aircraft.

What the UK now has to do is to look closely at two major

airframe manufacturers—one on the Continent and one in the U.S.—who have both now demonstrated that they not only have the determination to develop new major civil aircraft ventures, but are also being supported by the world's airlines with firm contracts. Britain has to weigh up the long-term chances of commercial success of both groups, and take a decision accordingly. It is a difficult one that has already caused much agonising in the corridors of Whitehall and Westminster, but the fact that several major airlines on the Continent and in the U.S. have made their choices indicates that the long-awaited re-equipment tide is now beginning to flow, and that time is therefore running short for the UK.

A major factor in this situation must be the position of Rolls-Royce, which is already offering the world's airlines its RB-211 engine in all its versions for the new generation of aircraft. So far there has been no sign of any airline wanting to take the RB-211 in the bigger 200-seat B-10, or the 250-seat A-300 B-2/B-4 or the new 200-seat B-10.

But Boeing has made it clear already that it is not only interested in having the RB-211 in its proposed 757, where it would like to see the Dash 535 version of the engine at 33,000 lbs thrust being offered as a possible power-plant, but also that it is prepared to offer the 767 with the more powerful version of the RB-211. If any airline round the world wants to take Boeing's view is that if by offering either its 757, 767 or 777 with Rolls-Royce engines it can win additional customers, then it is ready to offer that engine. This is also known to Rolls-Royce. That is why the company has been pressing the UK Government hard in recent weeks for formal approval to launch the RB-211 Dash 535 version into full-scale development and production, and why it is now likely to step up its pressure. The United order for 767s may well thus be a catalyst for the long-awaited decision in the UK.

Thus, the United decision to buy the 767 could also spark off a major battle among the world's aero-engine manufac-

turers. The initial order from United requires the 767s to be powered by Pratt and Whitney JT-8D engines of about 40,000 lbs thrust. But there is no doubt that the aircraft may just as well be bought by some airlines that already use the General Electric CF6 engines or the Rolls-Royce RB-211 Dash 22, both also in the same broad thrust class. Whatever make of engines any particular airline chooses to put into its 767s, it is also likely to want the same manufacturer's products for its 757s or its 777s, if it also buys any of those new types when Boeing makes them available. And it is considered certain in the world airline industry that some airlines will buy "mixed" fleets from Boeing.

Broader basis  
for collaboration

Which ever way it moves, it will almost certainly want some form of international collaboration on its new ventures, both to spread the burden of development costs and to broaden the potential market, and the UK has been mooted increasingly in recent weeks as a possible partner.

Some reports have even suggested that in some sections of the British Government and aerospace industry McDonnell Douglas is regarded as a more promising partner for the UK than Boeing, because the former can offer collaboration on a much wider basis than Boeing. This includes, for example, collaboration on missiles (Britain is already working with McDonnell Douglas on the Harpoon anti-ship missile), and on military aircraft (McDonnell Douglas is working on an advanced Harrier vertical take-off fighter for the U.S. Marine Corps). This would be in addition to helping to market the newly launched British Aerospace Model 146 70-100 seat feeder-jet and to provide support for research into a second-generation supersonic airliner.

The question for Lockheed is broadly similar, but it has an advantage in that it is already collaborating closely with the DC-8s within a few months of launching their ventures. A similar situation shows signs of occurring now with the new over the years, upon which it might well be able to build its profitability. What both McDonnell Douglas and Lockheed must also answer, however, is just how much it is

going to cost them to get into a market that could become extremely crowded with four major manufacturers with competitive designs. The development costs of only one 200-seater, the Boeing 767, is put at over \$1.5bn, so that the sales will have to be massive, running into several hundreds of aircraft, for Boeing alone to get back any substantial profits. McDonnell Douglas and Lockheed have to decide whether they can capture sufficient orders for their aircraft designs from beneath the noses of Airbus Industrie and Boeing to make such investments justifiable. At this stage, it is not clear what decisions they will take, but it is doubtful if all four manufacturers will make any money if they split the market four ways. With two in already and picking up orders, McDonnell Douglas and Lockheed will have to move fast if they want even to be considered in the battle over the next year or so.

For now that the re-equipment tide has started to flow, it is likely to gather momentum very rapidly indeed. There are many in the aerospace industries who predict that by the end of this summer, there may be as many as two to three hundred new jets ordered in this 200-seater class worldwide, and that by the end of the year it will have gone higher.

This is not unrealistic. Orders and options for the B-10 stand at 60 aircraft, with Lufthansa buying 10 and taking an option on 18; Air France buying four; and Swissair six; with Eastern of the U.S. holding an option on 25. If United's order for 30 767s is taken into account, the order book for broad 200-seater jets now stands at 90 aircraft. Those who remember the early days of the jet era know that the major manufacturers, Boeing and (at that time) Douglas, booked several years in advance of production of 707s and DC-8s within a few months of launching their ventures. A similar situation shows signs of occurring now with the new over the years, upon which it might well be able to build its profitability. What both McDonnell Douglas and Lockheed must also answer, however, is just how much it is

## MEN AND MATTERS

Broad aim of  
Council's grants

The Social Science Research Council is hoping to extend the frontiers of human knowledge with the latest grants it has just announced. £2,913 is allocated for studying the introduction of parliamentary broadcasting but this SSRC assured me that giving this to the Television Research unit of Leeds University did not mean they knew when cameras would be allowed into Parliament. £9,476 is to be given for a study on homosexual subculture in England and a similar amount to investigate changes in the kinship system and allocation of sex roles in modern Poland.

The social characteristics of those holding right-wing and racist views is another topic to be researched, while £4,792 is being given to study British membership of the Rev. Sun Myung Moon's Unification Church.

The SSRC did not seem enthusiastic about giving money to trace just where the Church's head has gone to ground in Britain since a U.S. Congressional committee asked him to testify. But among its more topical grants is one to investigate why UK-based multi-nationals "exhibit undesirable characteristics" or "behaviour patterns" which lead to greater intervention by developing countries' governments against them than against their U.S.-based brothers. Equally, £25,694 is to be spent on investigating from an occupational sociology perspective "how the 400 staff correspondents of foreign media shape the image of Britain abroad." The president of the Foreign Press Association of London, Fritz Beer, told me that he would welcome any study giving insight into the problems foreign correspondents face; his members complain that

We've given up waiting for the phone to be repaired.

In no other country do foreigners receive such low general consideration.

Professor Jeremy Tunstall of the City University, who is to make the study, later said that the idea grew from the Berill report on overseas representation; this suggested that the Government, instead of spending huge sums on Press offices abroad, should better help foreign journalists in London. He suggested it would be a sort of rerun of his earlier studies on specialist journalists. One of his findings, he said, was the similarity of football and political journalists in their dependence on managers for information.

## Meaningful

At the end of last week, a colleague was summoned to a lunch to hear John Nott, Opposition spokesman on trade, outline Tory policy on tourism. Nott duly delivered a speech degrading the total grant-in-

aid to tourism in 1976-77 of less than £20m as a "trifling amount."

"Aha," said our man, "if it is trifling, you must be keen to increase it."

"You are misquoting me," Nott replied, fairly sharply for such a mild-mannered man.

Our man duly apologised and returned that perhaps it should be read that the Tories would cut the grant. To this Nott said: "You cannot expect me to pre-judge what a Conservative Chancellor will do." Later, his minions pursued our man down the corridor. They told him Nott was worried in case his remarks had been misinterpreted or had not been clear. Which, you could say, was thoughtful of him.

## Old tricks

As the politicians tiptoe gingerly towards the sleeping issue of raising the fee on dog licences, researchers at the Treasury may be wondering why this potential silver mine has been left so long untapped. In 1932, may I assure you, the taxes of Britain's 337,000 dogs accounted for over 4 per cent of all tax revenue. It was comfortably exceeded by the amounts paid for such privileges as having horses, servants or windows. But, though the human population has since doubled and that of dogs risen by 15 times, it seems that, as we reported recently, the Government today actually loses money on collecting the 33p fee.

Yet it is as well that our Chancellor is more worried about the politics of dog owners' votes than history. It might be hard to revive the old taxes on "horses ridden by butchers in their trade" and on persons "wearing or using hair powder." But if a car were to be taxed at the rate charged in 1832 for a carriage and four, a

road licence would cost nearly £200.

## Libyan bill

Libya is "building bridges" with Britain, or so its Minister of Interior, Younis Ali Belagasin, assured me before flying off to West Germany. He had been spending a four-week holiday here with his family. I suggested that past tensions between Britain and the Popular Socialist Jamahiriya (Republic) made London an unusual choice, but Belagasin was quick with phrases about the warm links which Libya was engineering.

Both he and the Libyan ambassador to London, Mohammed Younis Almisrati, wondered why the West considered peasants with rifles as terrorists but did not use such words for pilots in Phantoms. They wanted the French out of their southern neighbour, Chad, and Africa's problems sorted out by the Organisation for African Unity, not by outsiders. They also wanted all great powers out of the Mediterranean, but thought that the U.S. looked on Minto's Malta as a Mediterranean Cuba. They believed some destabilisation attempts were under way on the island.

For all his holiday, Belagasin told me that there was a problem with Britain, an economic one. The Libyans claim over £50m from Britain—for rent due on the old Tobruk bases used by the British and for advance payments made on an air defence system ordered by King Idris and cancelled by Colonel Gaddafi after his coup. The last formal talks on this claim were in October 1976, about the time when Gaddafi abandoned his support of the IRA Provisionals. The odd discussion since has not yet led to a settlement.

Observer

## INTERNATIONAL PACKAGING EXHIBITION

## TOKYO

16 DAY TOUR TO

HONG KONG — TOKYO — BANGKOK

Special tour departing London, Wednesday 12th September, returning Thursday 28th September. Fully inclusive of scheduled flights, first class hotels. From £745.00.

## Other forthcoming events

## TOKYO:

International Toy Fair, depart 2 Sept. 10 days from £608.00.

## TOKYO:

Japan Plus (Plastics Fair), depart 13 Nov. 11 days from £364.00.

## OSAKA:

Machine Tool Fair, depart 25 October 11 days from £674.00.

## SINGAPORE:

Toycraft, depart 9 October. 10 days from £398.00.

Further details and free brochures are available from:



KUONI TRAVEL LTD.  
Specialists in worldwide Trade Fair travel.  
33 Maddox Street, London, W1.  
Trade Fairs are our business.  
Tel: 01-499 8838.

# FINANCIAL TIMES SURVEY

Monday July 17 1978

## Solving tensions with the West

By Charles Smith  
Far East Editor

# Japan in the '80s

Relations between Japan and the rest of the world, particularly where trade is concerned, have been less than harmonious during the past year. This 20 page Survey looks at Japan in the world today and charts its likely economic and social developments up to 1985.

JAPAN IS widely regarded as a problem country, if not "the" problem country, by industrial nations in the West. Its position as the only non-western industrial nation to have emerged to date, its record of economic growth in the 1960s and early 1970s, and the distressingly large balance of payments surpluses it has been running during the past two years, have tended to make it a unique subject of attention (if not understanding) by the rest of the developed world.

The tensions between Japan and the West have appeared so great at times in the last few months that they seem to be leading to an almost inevitable resumption of a 1930s-style trade war, with Japan as the "aggressive" exporter and the West as the embattled opponent of Free Trade. The view taken in this survey of Japan's economic and political prospects up to 1985 is that "total" trade war will not occur—but that continuing tensions between Japan and the West are endemic and may last for many years. They can be traced to the fact that Japan does not fit into the world economic structure as viewed from Europe, and may not ever do so in the way Europeans seem to expect.

The story of Japan's economic emergence post-war is also the story of its rapidly growing interdependence with the outside world. In the late 1950s, when Japan's major industries were still only beginning to get off the ground, the nation's overseas trade was running at scarcely higher levels than on the eve of World War II, and onwards, when Japan's fast-

most big companies were primarily dependent on the home market.

The picture changed with extreme rapidity during the 1960s, as the steel, shipbuilding, motor and other industries embarked on massive investment programmes which enabled them, first, to saturate Japan's domestic market, and then to move on to supply the outside world with highly competitive products. The dollar value of Japan's trade increased by 4½ times during the 1960s, and industries which had boasted almost no overseas markets at the start of the decade (that is, cars) were heavily dependent on exports by the time it was over.

### Similar

The behaviour of Japanese imports during the decade of the 1960s was similar to that of exports in one respect, but significantly different in another. Japan did not increase its imports of manufactured goods at anything like the rate it increased its exports; but it did become a major importer of natural resources and energy. In terms of energy alone, Japan moved from supplying over half its own needs in 1960 (mainly from the domestic coal industry) to an 88 per cent dependence on imported energy by the end of the decade—when the bulk of Japanese energy requirements were being met by imported oil.

The rapid increase in interdependence between Japan and the outside world began to make itself felt in the form of frictions of various kinds from 1968 the eve of World War II, and onwards, when Japan's fast-

growing exports of manufactured goods first gave it a permanent trade and current account surplus. Meanwhile, Japan's massive dependence on imported raw materials was starting to cause problems. They surfaced with a vengeance when Japan became the principal victim of the 1973 oil crisis by virtue of its status as the world's largest oil importer and the most heavily dependent of all major industrial countries on imported oil.

Japan dealt with the oil crisis by introducing a set of measures which had the effect of halting the economy in its tracks and of drastically cutting down on the need for imported natural resources. The measures led to an initial decline in oil imports followed by a resumption of growth which was sharply less than the growth of the GNP.

What the measures could not do, and were not designed to do, was to reduce the dependence of Japanese industry on overseas markets. Exports hesitated for a year or two after the oil crisis and then took off—achieving a heavy public spending begins to produce a positive impact on where it is obliged to be a capital exporter.

The result, not well, these two factors could

surprisingly, was a renewal of the tensions between Japan and the West as a market for its competitors which had existed before the oil crisis. The dependence of Japan on the West as a market for its exports and the unwillingness of the West to go on absorbing such exports unless it can secure what it considers to be a reasonable share of the Japanese market for its products probably represents the biggest single source of trouble in world trade today.

The Japanese surplus with the U.S. in the first five months of 1978 (\$4.3bn) was more than double that in the same period of 1977, despite the anticipated effects of yen appreciation (by 46 per cent against the dollar since the beginning of last year) in shifting the competitive balance between Japan and the U.S. in the latter's favour.

Japanese officials, and most even after yen revaluation remain confident that the matter will ultimately make a difference. It is also presumed that imports into Japan will rise as the Government programme of a point in the evolution of its relations with the outside world where it is obliged to be a capital exporter.

Japan will be stepping up

contribute to a rise in the ratio of manufactured goods in Japan's total imports to 30 per cent in the early 1980s from the present levels of between 20 and 25 per cent. That in turn should mean a fall in the European and U.S. deficits with Japan—but it does not spell eventual elimination of the deficits, nor is Japan likely to achieve the balance on overall current account the U.S. has been demanding.

The reasons why Japan will not come anywhere near to balancing its trade with the West in the foreseeable future are, first, that it could not afford to do so (because surplus phases with other manufactured goods exporters are needed to offset deficits with raw materials suppliers) and, second, that it will retain a substantial competitive edge against Europe and America.

The necessity for a continuing overall current surplus is also presumed that arises, the Japanese argue, because the nation has reached a point in the evolution of its relations with the outside world where it is obliged to be a capital exporter.

Japan will be stepping up

direct investments in other countries during the 1980s partly to secure safer access to the raw materials needed by its industry, and partly in order to establish manufacturing bases in overseas markets which show signs of becoming resistant to direct exports from Japan. It will also increase its foreign aid (so as to make what Japan feels is a "feasible" contribution to the welfare of the developing world) and there will be greater access for would-be foreign borrowers to the Tokyo capital market.

To pay for these and other necessary overseas activities, Japan may need a trading and invisibles surplus of between \$5bn and \$10bn for the indefinite future. An official forecast by the Economic Planning Agency puts the figure at \$4bn in 1980, but this is widely regarded as being a polite piece of wishful thinking.

### Reaction

Japan's opinion on the probable reaction of Americans and Europeans to all this is that Western nations will continue to complain about its trading practices in general and its bilateral surpluses in particular.

The likelihood of continuing pressures and complaints is thought to be "unfortunate" within Japan's desire to be accepted as a fully participating member of the community of advanced nations.

The situation could become rather more than unfortunate if the U.S. or Europe started erecting trade barriers against Japanese exports on a larger scale than at present. But even if this were to happen, Japan would probably not be able to see its way to stepping up imports of manufactured goods from Western countries to anything like the level of its own exports to the West. The reason for this is that neighbouring Asian countries have begun to export to Japan in competition with European and U.S. exporters, and are increasing their market shares rapidly.

A survey carried out by the Boston Consulting Group recently showed that "developing Asia" has stepped up its share of Japan's imports of consumer durables from 4.4 per cent in the three years from 1968 to 1970 to 20.7 per cent in 1976-77, while the U.S. and Western Europe suffered corresponding declines in their shares of the Japanese market for these products. The consulting group found a similar shift in favour of Asian exporters in all the other major categories of manufactured goods imported into Japan.

The question of how to handle economic relations with "developing Asia," and how to reconcile these with its already tense trading relations with the West, represents one of the main challenges for Japanese economic

policy-makers over the next eight years. Japan claims to have ruled out the option of putting up barriers against Asian imports (as Japanese officials believe Europe is anxious to do) on the grounds that it cannot afford the political rupture with near-neighbours that would result from such action. The alternative is to accept Asian exports, and to promote the shift of Japan's own industrial structure away from the basic industrial sectors in which exporters such as Korea, Taiwan, Hong Kong and Singapore have become increasingly competitive.

Japan has had previous experience of restructuring operations of this type. During the early 1960s it phased its coalmining industry almost completely out of existence, to make room for imported oil, then regarded as a cheaper and cleaner alternative. It is ready to do the same with industries such as textiles and electronics, but phasing out alone will not be enough. Japan will also need to step up its investment in technological research in order to be able to develop the advanced industries that will take over from the basic industrial sectors.

An increased stress on technology will mean two things for the Japanese economy, apart from enabling Japanese businessmen to keep one step ahead of Asian competitors on the "development escalator." One major consequence will be a shift towards a higher input of value into each unit of industrial production, and thus a gradual decline in Japan's present heavy dependence on imported natural resources, including energy. The second consequence of the increasing sophistication of Japanese industry should be a higher degree of specialisation.

A less universally-competitive, more highly-specialised Japan would be an easier trading partner for the industrial West than the Japan of the late 1970s—indeed a situation could eventually be reached in which an interlocking relationship came into being between Japan's high-technology industries and those of Europe.

The question mark over such a vision of the future is whether the West would be able to stay the pace that Japan seems certain to set.

# Building for the world we live in.

## Toyota versus the economic problem.

Automobiles have become indispensable to everyday life. As society evolves so does the need for automobiles. At the same time we are acutely aware of the urgent need to conserve the earth's limited natural resources. And so the need for economy in automobiles becomes correspondingly more important.

Just imagine what we all are up against. Motorists must bear the burden of increased cost of cars, in addition to the increased

price of petrol. Add to that the rising charges for maintenance and service. And the automobile industry suffers from increased costs for raw materials and rising labor expenses.

Study of gas flow in cylinder to seek most efficient shape for combustion chamber.



What, then, is an economy car? Naturally, it must provide good mileage and economy. And it must be ruggedly built to last, yet it must also be easily maintained. It must be easy to operate and perform well. A car must be designed and built as a total, balanced economic unit. We believe that this is the "economy" car which motorists and society honestly require.

At Toyota, we are keenly

aware of such needs; our research and development staffs are currently involved in many, varied projects that are aimed at just that.

For example, as well as developing an engine that provides better combustion using low grade petrol and an efficient power transmission system, we are experimenting with a material that would effectively replace metal and be both lighter and longer lasting.

This pursuit of economy by Toyota is not something begun today, but initiated over 40 years ago when the first Toyotas rolled off the assembly line. This is because Toyota's philosophy is to build a car from your point of view. And this policy will never change as long as Toyota makes cars.

People who care building for people who care



COROLLA  
TOYOTA

## JAPAN II

## A changing political pattern

SINCE THE early 1960s Japanese political pundits have been asserting the inevitability of a change of government — but so far it has not happened. The Liberal Democratic Party (LDP) which was created in 1955 from a merger of two earlier conservative parties has ruled without a break since then.

It came perilously near to losing its majority in the upper house of the Diet (Japan's Parliament) in the summer of 1974 when the then Prime Minister, Mr. Kakuei Tanaka, fought a "money election" which failed to inspire voters. In the winter of 1976 a badly split LDP almost lost its majority in the lower house, surviving only with the assistance of conservative independents who joined the party after getting elected.

## Survived

Six months later, despite predictions that it would lose its majority in the upper house, the party once again survived by a hair's breadth, fighting a low-keyed but reasonably united election campaign under the present Prime Minister, Mr. Takeo Fukuda. The LDP's share of the vote in the 1977 election was substantially less than it had been in the previous upper-house election three years earlier (35 per cent in the so-called national constituency against the 1974 figure of 44 per cent). The party survived because a well-organised leadership which (for once) was thoroughly in control correctly judged the number of candidates to put up so as to secure the maximum "yield" in terms of votes per candidate.

The outcome of the 1977 election illustrates two characteristics of Japanese politics in general and of the workings of the LDP in particular that are crucial to the party's survival prospects. One is that the LDP is already a minority party in terms of the popular vote. Its share of the vote in lower house elections fell below 50 per cent in the mid-1960s and has declined consistently though gradually since then. The party manages to stay in power in this situation because of the uneven

distribution of voters between rural and urban constituencies, with the rural vote (which on balance goes to the LDP) counting on average for roughly twice as much as the urban vote in terms of its ability to return candidates to the Diet.

The second characteristic of the LDP is that it is in reality not so much a party as a coalition. Despite periodic attempts at reform, including one carried out by the present Prime Minister early last year, the LDP has never succeeded in freeing itself from the faction system which divides the party into a series of closely knit groups centring on half-a-dozen or so powerful individuals each with his band of "followers."

The factions exist to promote the leadership ambitions of faction leaders and to channel money and other kinds of assistance from faction leaders to their followers. The system has been known to cause worse tensions within the party (for example during the premiership of Mr. Takeo Miki) than normally exist between politicians on opposite sides of the Japanese political spectrum. But it also represents a hidden form of strength. This lies in the fact that Liberal Democratic politicians are already accustomed to the power-sharing that would be involved in running a minority government or a coalition with one of the smaller opposition parties.

A survey of the future of Japan over a ten-year period conducted recently by Keizai Dooyukai (a club of senior businessmen who can be presumed to be LDP supporters) found that 56 per cent of the respondents expected to see a coalition between the LDP and an opposition party during the next decade, while a small minority expected such a coalition within two years. The survey did not, however, touch on the more subtle questions of whether the coalition would be a formal one involving the sharing of cabinet posts or would be based on an informal "working arrangement" between the LDP and one or more of the opposition parties.

Views on this subject are believed to differ within the LDP itself. The Prime Minister thought to favour what is

known as the "stable government" formula, which calls for the LDP to rule single-handed for as long as possible and to enter into coalition with one opposition party (probably the Democratic Socialists) after losing an overall majority. The LDP Secretary General, Mr. Masayoshi Ohira (who also happens to be a likely successor to Mr. Fukuda) favours a "flexible approach" that apparently involves putting out "feelers" to the opposition now in the hope that LDP might be able to continue ruling even after losing its overall majority in the lower house.

A third view, held by a small number of LDP members led by ex-Prime Minister Mr. Takeo Miki, is that Japanese democracy will prove itself truly democratic only when the electorate turns the existing government out of office and elects an alternative government. Mr. Miki apparently sees such an alternative government as consisting of a broad coalition of mid-stream political groups including the Left-of-Centre portion of the LDP of which he himself claims the leadership.

## Crossed

Predictions of a watershed in Japanese politics some time during the next eight to 10 years fail to take account of the fact that in terms of the way the Diet actually operates the watershed is already being crossed. The narrowing of the LDP's overall majority in the upper and lower houses has reached the point where the ruling party can no longer control even a majority of the committees in the two houses. Control of a committee involves supplying the chairman as well as a majority of its members, but nine standing committees in the upper house of the Diet now have opposition chairmen and a majority of LDP members. In the lower house, where the Government majority is slightly bigger, five committees have opposition chairmen and the all-important Budget Committee has an opposition majority. The consequences of LDP loss of control over the Budget Committee made themselves felt for the first time in 1977 when the



Left: Mr. Takeo Fukuda, Prime Minister of Japan. Right: Mr. Masayoshi Ohira, Secretary-General of the Liberal Democratic Party—and a possible successor to Mr. Fukuda.



Government was obliged to modify the budget (by increasing the size of the tax cut) for the first time in 22 years of LDP rule. This year the Budget was voted in its original form but an additional supplementary Finance Bill was put through the Diet incorporating some opposition demands, thus saving the Government's face while bowing to the opposition's superior forces.

The assumption that loss of control by the LDP will lead to coalition government or to some informal arrangement with part of the opposition is based only partly on the fact that this is what already seems to be happening. The other and no less significant point is that the opposition is not in a position to provide an alternative government. The four main opposition parties—the Japan Communist Party, the Japan Socialist Party (JSP), the Komei Party (Komeito) and the Democratic Socialist Party (DSP)—cover a wide political spectrum, with the Communists and the Democratic Socialists in bitter opposition to one another and the Japan Socialist Party poised uneasily in between.

The JSP officially advocates the formation of a grand coalition of progressive parties to replace the LDP but it is

really divided between a Left wing which favours working circumstances would probably take in the JSP (with 120 seats in the present lower house of the Diet) and the Komeito with 55.

The resulting total of 176 seats would fall well short of the most powerful coalition of the 256 seats which the LDP

now holds. The addition of the

38 seats held by the DSP (improbably because the DSP itself originated as a breakaway group from the JSP) would still fail to cover the difference.

The Japanese political spectrum contains one more element which has yet to be mentioned and which perhaps holds the key to the future—the Centre. As recently as 1973 there were not at least theoretically either part of the opposition or progressive wing of the LDP, but today at least two small parties exist. They are the New Liberal Club (NLC), which broke away from the LDP in the summer of 1976 under the leadership of Yohei Kono, a son of one of the founders of the party—and the Socialist Citizens' League, a loose group of former members of JSP.

The NLC and the Socialist League have nothing much in common so far as their political beliefs go and even their survival is debatable.

The NLC got off to a flying start at the 1978 general elections, winning 17 seats but appeared to have lost impetus by the time of the 1977 upper house elections. What these groups do share, however, is a sense of disillusionment with

established parties which also appears to be shared by the Japanese voters (48 per cent of whom, according to a recent poll, do not support any party).

The emergence of the Centre as a new element in Japanese politics implies a breakdown of the tidy distinction between socialists and believers in the virtues of free enterprise which characterised Japanese politics during the mid-fifties up to the early 70s. It would also appear to indicate that there is a vacuum to be filled by any political group which can display the necessary energy and imagination.

The LDP itself could conceivably fill this vacuum. It has made good some serious weaknesses in its grass-roots organisation during the past year or two and managed to increase its card-carrying membership about threefold by the simple device of introducing a new system for electing the party leader which entitles any paid-up member to take part in a "primary." If the LDP does succeed in occupying the centre of Japanese politics, however, the party will almost certainly have to purge itself of the "old" Right which was once a dominant influence in its leadership.

Charles Smith

## Economy facing period of adjustment

JAPAN'S ECONOMY is expected to grow at around 6 per cent per year over the next eight years by a fairly fast rate of growth by the standards of mature Western economies but not necessarily an easy or comfortable rate for Japan itself to achieve. The maintenance of a "stable" growth rate, as the Government has labelled it, will call for heavy public spending during the first two or three years of the period, which may lead to a series of enforced changes in Japan's taxation and money market systems during the early 1980s.

BASIC STATISTICS	
Area	143,818 sq miles
Population	113.8m
GNP	¥183,600bn
Per capita	¥1,61m
Trade (1977)	
Imports	¥19,128bn
Exports	¥25,552bn
Imports from UK	£469m
Exports to UK	£1,068m
Currency=yen	¥1=¥361

Government bonds to rise fast over the next year or two, reaching the point in 1980 where the outstanding value of bond issues will be ¥77,000bn, or three times that year's estimated tax revenue.

The sheer size of Government borrowing is not in itself likely to cause trouble, or rather it need not cause trouble if ways can be found to widen the present system by which bonds are absorbed mainly by banks and other institutions to a system where bonds could be sold to the general public. Japan's high savings ratio (currently over 20 per cent of GNP) makes this a logical course to follow, and the odds are that the liberalisation of interest rates which would be needed to turn the bond market into a commercially competitive vehicle for private savings will be undertaken over the next year or two.

EPA officials still feel, though, that there is a danger of the unstinted issue of bonds leading to a situation of "structural collapse" (that is a situation in which the amount of funds required to service outstanding bond issues got out of proportion with the rest of the budget). It follows that Japan will have to tackle the tricky and unpleasant issue of tax reform in the fairly near future as the only alternative to facing an open-ended and ultimately disastrous increase in the size of the budget deficit.

The existing Japanese tax system relies heavily on direct taxes (67.5 per cent total revenue) and tends to place a heavier burden on large corporations and their employees than on small businesses and farmers. The Government seems to be thinking of introducing either a general sales tax or a value added tax sometime within the next one or two fiscal years. But the decision on which of the two to adopt is fraught with political sensitivity and is certainly going to be difficult to make.

A purely economic consideration is that any kind of tax increase may have a dampening effect on demand and thus run counter to one of the main objectives of government policy—which is to get consumers to spend more. The answer according to EPA, may be to combine an increase in indirect taxes which would substantially step up the Government "take" from the economy with a cut in income tax which would please the general public and help to maintain demand.

Reforming the nation's finances represents one set of hurdles which has to be surmounted before Japan can be considered to be launched on "stable" economic growth. Two other, closely related problems are the restructuring of industry and the reallocation of Japan's labour resources.

Industrial structure, apart from being a problem for the whole of Japanese industry in the sense that the demand-supply gap remains unclosed, is a very special and urgent problem for a handful of industries which have become chronically unprofitable or are suffering from chronic excess capacity in the aftermath of the oil crisis.

Examples of the former are aluminium refining, which can no longer pay its way in Japan because of the cost of elec-

tricity, chemical fertilisers (excess raw material costs), and textiles (a labour-intensive industry in which Japan has lost competitiveness with neighbouring Asian countries).

The main example of the latter is shipbuilding, where Japan's production capacity has been built up to levels far greater than what other nations regard as an "acceptable" Japanese share of the world market.

The conclusion has been reached that Japan has no choice but to phase these industries partly or wholly out of existence during the next few years, and the process of production scrapping is already under way. Scrapping capacity, however, is easier than finding jobs for redundant workers, especially when employment levels throughout industry are either static or falling as they have been in the past few years. For this reason the question of industrial restructuring becomes one of how to shift labour from one sector of economy to another and of how to change Japan's existing education system to meet the new employment pattern.

Japan's total labour force has been growing relatively slowly during the past few years (by 1.2m workers to a total of 52.5m between 1972 and 1975). The industrial workforce, however, shrank by some 600,000 during the three years up to 1975, while employment in wholesaling and retailing rose by roughly the same amount. The other sectors where growth is occurring and seem likely to continue are services (up 750,000 from 1972 to 1975), and the construction industry (up 170,000).

## Skills

The message conveyed by these figures is not simply that people are changing their jobs and will be changing them faster if and when the economy picks up speed, but that new kinds of skills will be needed (and existing skills will not be needed) in the Japan of the mid-1980s. Doubts exist whether Japan's rigid and highly competitive education system is adjusting itself to quite the speed needed to cope with these changes.

The switch from high to moderate growth, and from a manufacturing oriented economy to one in which services may be taking the lead, calls for numerous other adjustments—not the least being the adjustment in Japan's international balance of payments that the west continues to demand. Officials see the whole process as taking time—probably at least until the mid-1980s perhaps longer if structural changes are not cushioned by the fairly rapid year to year growth that the Government hopes to achieve in the interim.

The new Japan will be less dependent on heavy and basic industries than the pre-oil crisis model and may offer its people a more varied lifestyle with less emphasis on putting in endless hours at office or factory. It will be more competitive than ever in advanced "knowledge-intensive" products—and it will still be in substantial bilateral surplus with its trading partners in the West.

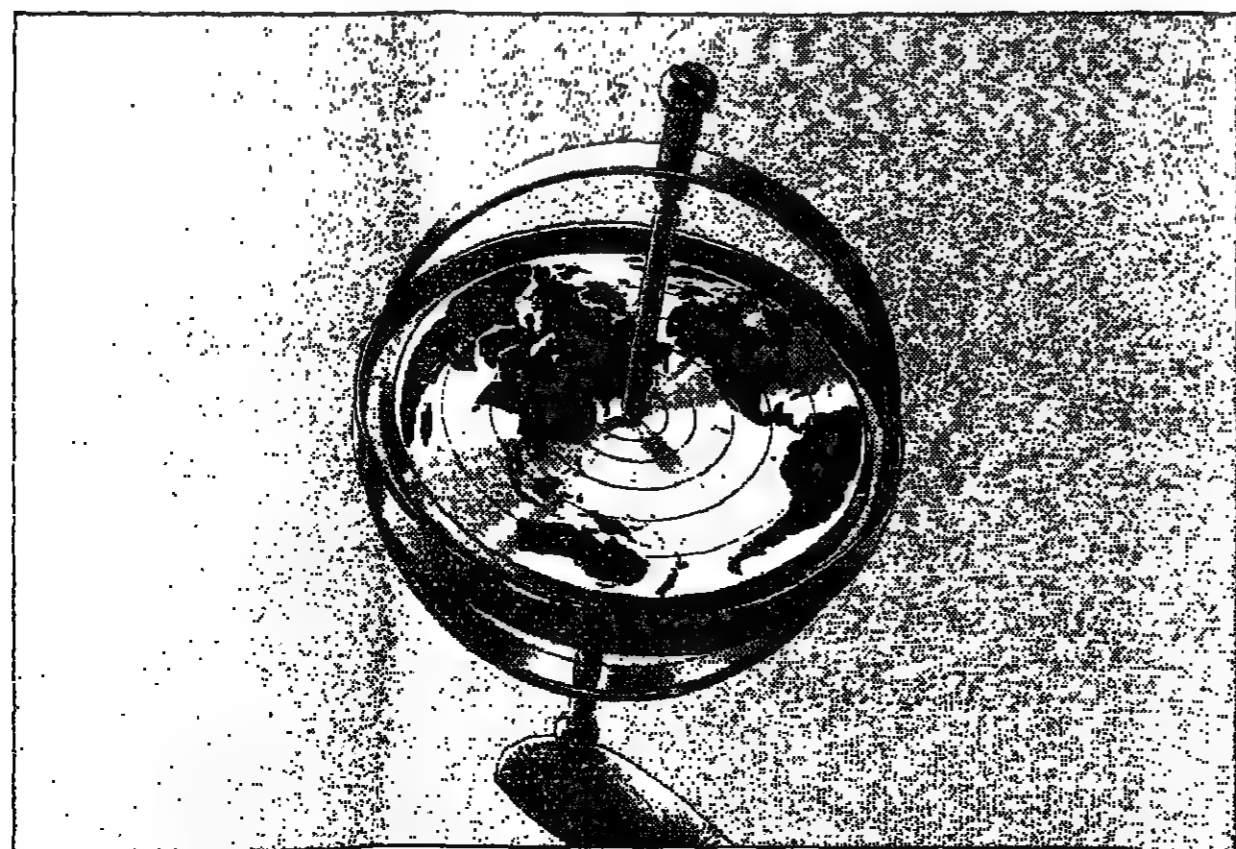
C.S.

## NOMURA, JAPAN'S LARGEST SECURITIES HOUSE AND LEADING INTERNATIONAL FINANCIER, INVITES YOU TO THE ACTION CENTRE...

Nomura, Japan's leading securities house, offers complete financial services. Our long history of brokerage and underwriting — plus ever-growing, integrated financial services — can be a definite advantage.

We invite you to call on our extensive experience to help solve your financial needs. Just contact Nomura Headquarters in Tokyo or one of many worldwide Nomura offices located in major financial centres.

Efficient Nomura men will quickly make you the centre of action.



International securities and investment banking  
**NOMURA**  
The Nomura Securities Co., Ltd.

NOMURA EUROPE N.V. Head Office: 39-35 Sarphatistraat, Amsterdam, The Netherlands Tel. 020-287715 London Office: Barber Surgeons Hall, Montpelier Square, London WC2N 2ET, England Tel. 06-6253, 605-3411  
NOMURA EUROPE GmbH 6 Frankfurt am Main, Bockenheimer Landstrasse 51 53, F.R. Germany Tel. 0611-720811  
NOMURA TRAFITEX S.A. 10, rue de la Seie, Geneva, Switzerland Tel. (022) 35 70 05  
THE NOMURA SECURITIES CO., LTD. TOKYO HEAD OFFICE: 2-1, 1-chome, Nishimbashi, Chuo-ku, Tokyo 103, Japan Tel: 03-211-1811 Telex: J22802  
Cable: NOMURASHIN TOKYO OVERSEAS OFFICES: Paris, Toronto, SUBSIDIARIES and AFFILIATES: New York, Los Angeles, San Francisco, Honolulu, Hong Kong, Bangkok, Singapore, Kuala Lumpur, London, Manila, Jakarta, Sydney, Rio de Janeiro, Beirut

## ADVERTISEMENT

## Dialogue with Japan

## Your questions answered.

The readers of the Financial Times were recently given the opportunity to ask questions about Japan.

Several hundred persons, selected at random from the newspaper's subscribers, were telephoned by a public opinion research agency and asked what questions they would like answered about Japan. The following questions were selected as interesting and typical and submitted to a panel of three experts (scholar, journalist, and business executive) in Japan for reply. They are: Dr. Hiroshi Kato, Professor of Economics, Keio University; Mr. Kinji Kawamura, former Asahi Shimbun Senior Writer on International Affairs; and Mr. Masaya Miyoshi, Director, International Economic Affairs Department, KEIDANREN (Federation of Economic Organizations).

## Why are they flooding our markets?

1. Mrs J. Cook, Housewife, Redhill:  
I would like to see Japan give us a bit more of their trade, for example with cars. Why don't they take some more of ours instead of sending us so many of theirs? Of course they are doing a fantastic job there, and it's a pity we don't seem to be able to do the same. They really work to get things done. But aren't they hogging the trade too much, flooding our markets?

Do not forget that Japan has about twice the population and Gross National Product of Britain, so it is not surprising that Japan should export £45 billion worth of goods a year against Britain's £33 billion. Japan's exports per head of population last year were only about £400, rather less than Britain's £600.

It is only natural that we should succeed in the sectors where we have comparative advantage and your industry is for some reason less competitive. That is why our exports appear to your side to be concentrated, with TV sets, some special steel bars, zipfasteners, tape recorders, hi-fi equipment and motor cars high on the list.

But our government and exporters have not failed to arrange for voluntary restraint whenever it appeared that British industry was in danger of being harmed or the British market disrupted by a very rapid increase in the arrivals from Japan. That has happened in the past few years for pottery, textiles, cutlery, ball bearings, steel bars and TV sets and now cars.

Can you seriously argue that Japan is "flooding" the British market when Japan accounts for a mere 2.1/2% of Britain's global imports? Last year Japanese cars won just over 10% of the British market — less than France, West Germany or Italy. Is that "flooding"?

Incidentally, the British car manufacturers asked us to restrain our car exports in order to help them at a difficult time of reorganization. But whose share of the market went up while Japan's remained virtually static as a result of this restraint? Not the British makers but the Continental European. (Mr. M. Miyoshi)

## Do they keep our exports out?

2. Mrs S. Smith, Housewife, Surrey:  
I agree that Japanese products are very good and competitive. I am quite patriotic, but I do buy Japanese goods for economy. But I don't think they give us the same facilities to export to them as we give them in our market. Why not?

It is definitely not true that there are trade barriers against British goods in the Japanese market. As far as tariffs are concerned, they are broadly at the same level as those of Britain, and in the case of cars the Japanese tariff has now been completely abolished. The tariff on a bottle of whisky is now only about 75 pence.

British products are now quite well known among the Japanese people. If you drop in at a department store or a supermarket, you will never fail to find such British imports as Scotch whiskies, high-quality textile products, smoking accessories, etc.

Our imports from the U.K. now amount to £548 million — main items are machinery (£197 million), chemical elements and compounds (£91 million), beverages (£75 million) and textiles (£55 million).

Import licensing has been almost completely liberalised, and only about 27 commodities are still restricted. This is a very similar figure to the 25 commodities which Britain still restricts. There are of course revenue taxes on some com-



modities such as whisky, but this is levied indiscriminately on both Japanese-made and imported Scotch brands. The same goes for various safety or health regulations.

It is not true therefore that there are official obstacles placed in the way of exporting goods to Japan. Japan is no doubt a very distinctive market, however, based on a culture and language which most British exporters do not take the trouble to learn.

But how do you think Japanese traders won their successes in the British market? Certainly not by flying to Claridges for a couple of weeks and speaking Japanese. Our trade surplus was built on innumerable cases of hard slogging sales work, some of which did not in the end succeed. (Mr. M. Miyoshi)

## What Japan is doing to reflate.

3. Mr. A. Baillie, Research Assistant, Cumberwell:  
As one of the most successful industrialised economies at this moment, Japan bears a big responsibility for helping to overcome the international recession. What is Japan doing to reflate its economy and step up its economic growth, to give the rest of us a lift?

The government is sticking by its intention to see a 7% real growth rate for the economy during the fiscal year which began in April. No other industrialised nation is so ambitious, and I do not think Japan can reasonably be criticised on that score. Britain's target is, I understand, only about half of the Japanese figure.

There is not much point in cutting taxes, as some other Western governments are doing, because the Japanese are already such big savers.

So the latest budget instead has a massive allocation for public works which should prime the pump more effectively. (Mr. K. Kawamura)

## The Yen currency.

4. Mr. J. Ford, Accountant, Palmers Green:

How far is Japan willing to see the Yen float and strengthen against other currencies, especially the U.S. dollar? Japan has enjoyed a substantial balance of payments surplus since the oil crisis. How do they propose to balance their trade in the future — by limiting the growth of exports or sucking in more imports?

The Japanese national currency has strengthened by about 50% against the American dollar since the Smithsonian realignments of 1971. In the past year alone the revaluation has been 22%. This is quite a strain for an economy to absorb, especially difficult for small investors and manufacturers who have built up investments abroad or export business based on older exchange rates.

It has not been, I suppose, a totally "clean" float, but the extent of change in only a short time speaks for itself. It is impossible to predict what policy the Bank of Japan may follow in the future, but I doubt if it will stand in the way of the Yen's finding its own natural level, whatever that is.

Japan is of course anxious to bring the trade balance nearer to equilibrium, and this can only be done by more imports, not fewer exports. The government expects to reduce tariffs within the Tokyo Round of Multilateral Trade Negotiations, and has actually cut some in advance. (Dr. H. Kato)

## Government and industry.

5. Anonymous, Financial Analyst, West London:

I would like to know the various ways in which the Japanese government supports and helps industry, in contrast with our own government's attitude to British firms.

I think the first thing to say here is that Japan has very few nationalised industries. If British businessmen have to deal with the Japanese steel, coal mining, aviation, shipbuilding and motor car industries, or even some of the railways, they will find themselves dealing with purely private businessmen answerable only to private shareholders.

But having said that, it is probably true that the government in Japan has a closer relationship with private industry than the British government. Private firms in Japan have tendency to follow official "advice" or "administrative guidance" which goes back to the foundation of Japan's modern industry and seems to be still quite strong. This enables the government to ensure, to some extent, voluntary restraint by a number of competing manufacturers on exports to a market like Britain. How else do you have voluntary restraint by the Japanese car makers on shipments to British ports?

One could make the point that the government does not levy on industry the high rates of taxation which some European governments do on your industry, so that profitable Japanese companies are left with more funds in their own hands for welfare purposes as well as ploughing back in the form of new equipment. (Mr. K. Kawamura)

## More aid to the Third World.

6. Anonymous, Civil Engineer, Upper Norwood, and Anonymous, Information and Public Relations Officer, Surrey:  
How much is Japan doing in aid to the Third World? Is there scope for more collaboration between British and Japanese firms in Third World projects?

Mr. Fukuda, the Prime Minister, has pledged that Japan will double its official development assistance to the Third World in three years. Since the amount disbursed last year was almost £800 million, this would put the Japanese aid effort on a better standing by comparison with the American (£2,300 million) and British (£500 million).

Currently we fall behind the average of Western aid donors in such official development aid, representing only 0.21% of our GNP, as well as in aid flows of all kinds, including investments, of 0.8% of our GNP.

It is natural that we should feel most confident about what we can do in Asia, in particular Southeast Asia, and the countries which have in the past benefited most from Japanese aid are Indonesia, South Korea, Philippines and others.

Collaboration with British firms in Africa, Asia and Latin America is already a feature of our involvement overseas and we expect it to grow. Just to quote a few examples at random, one of our glass companies has a glass bottle manufacturing venture in Nigeria in partnership with Metal Box, and there is a steel wire factory in that country owned in common by a British and a Japanese firm. (Dr. H. Kato)

## The unemployed in Japan.

7. Mr. Guy Wallis, Press Officer, Baywater:

I would like to know how much unemployment there is in Japan.

The current official figure for unemployment is about 1.1/4 million, representing only 2% of the Japanese work force, but

this understates the problem because a large number of workers for whom there is not enough work are kept on by the management rather than laid off, owing to the tradition of lifetime employment.

It is believed that about 2 million workers are in this position of being surplus yet kept on the payroll, and if they are included the unemployment ratio would reach about 6% — comparable with Britain's. (Mr. K. Kawamura)

## Why do they work so hard?

8. Anonymous, Marine Engineer, Stanmore:

The Japanese seem quite capable of devoting themselves to work because they are indoctrinated to it from the start, unlike us. We are nowhere near so conscientious. Do they have to work so hard?

Not many visitors to Japan these days carry away an impression of Japanese workers as markedly more conscientious and busy than their counterparts in Europe. That impression might have been given up to ten years or so ago. Japanese reached a state of virtual full employment just before the oil crisis, and although we have been in recession, with its accompanying unemployment, ever since then, it does alter the underlying climate of the labour market.

Certainly Japanese workers are enjoying themselves more these days, being less formal with their management and with strangers, and it is not so easy to get them to volunteer for extra duties. I suggest that the views of Professor Ronald Dore of Sussex University are worth looking into: he made a study of British and Japanese factories and concluded that while the Japanese did not work better or harder than their British counterparts, they did work together with one another in a more successful way than the British.

He was referring to the strong social relationships among workers because they belong to the same group or unit. In Britain a worker is more of an individual, and it is easier for differences to come out between workers causing envy or resentment. If you look at the cultural tradition of the two countries, I think this gives a better explanation of the atmosphere on the shop floor. (Dr. H. Kato)

## Democracy in Japan.

9. Anonymous, Company Director, Kensington:

I would be interested to know more about the political system. The Japanese have an outwardly sinister image, not truly democratic. Incidentally, what role does the Emperor play now?

The 1947 constitution of Japan which provides for the sovereignty of the people and respect for basic human rights, and firmly upholds pacifism, has taken strong root in Japanese society.

In this respect, the Japanese political system is truly democratic.

General elections for the House of Representatives and the House of Councillors are held usually every two or three years.

The biggest party is the Liberal-Democratic Party, which is now in power, and by retaining the majority in the Parliament in successive national elections has governed Japan with only one brief interruption since 1947.

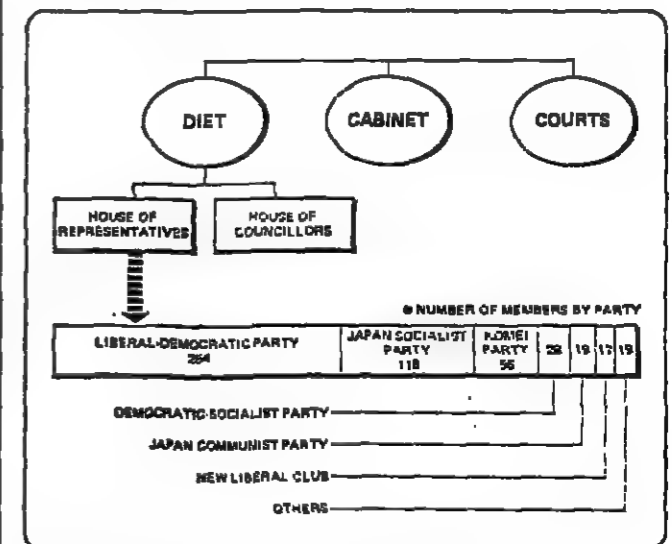
The main opposition parties are the Japan Socialist Party, the Komeito (the Clean Government Party), the Democratic Socialist Party, the Japan Communist Party and the New Liberal Club.

At the moment, the strength of the government and opposition is almost equal.

But the LDP looks like it will remain the most important party for quite a long time. It holds 254 of the 511 seats in the House of Representatives and 125 of the 252 seats in the House of Councillors — almost half in each case.

As regards the role of the Emperor, it is stipulated in the Constitution that "the Emperor shall be the symbol of the state and of the unity of the people, deriving his position from the will of the people with whom resides sovereign power" — in other words, his role is purely that of a figurehead.

The Constitution states that the Emperor has no powers related to government and performs only certain ceremonial functions. Thus, he appoints the Prime Minister as designated by the Diet and the Chief Justice of the Supreme Court as designated by the Cabinet. Furthermore, with the advice and approval of the Cabinet, he performs such acts in matters of state on behalf of the people as promulgation of laws and treaties, convocation of the Diet and awarding of honours. (Dr. H. Kato)



## Wages higher than in Britain.

10. Mrs L. M. Deffee, Shop Assistant, Surrey:

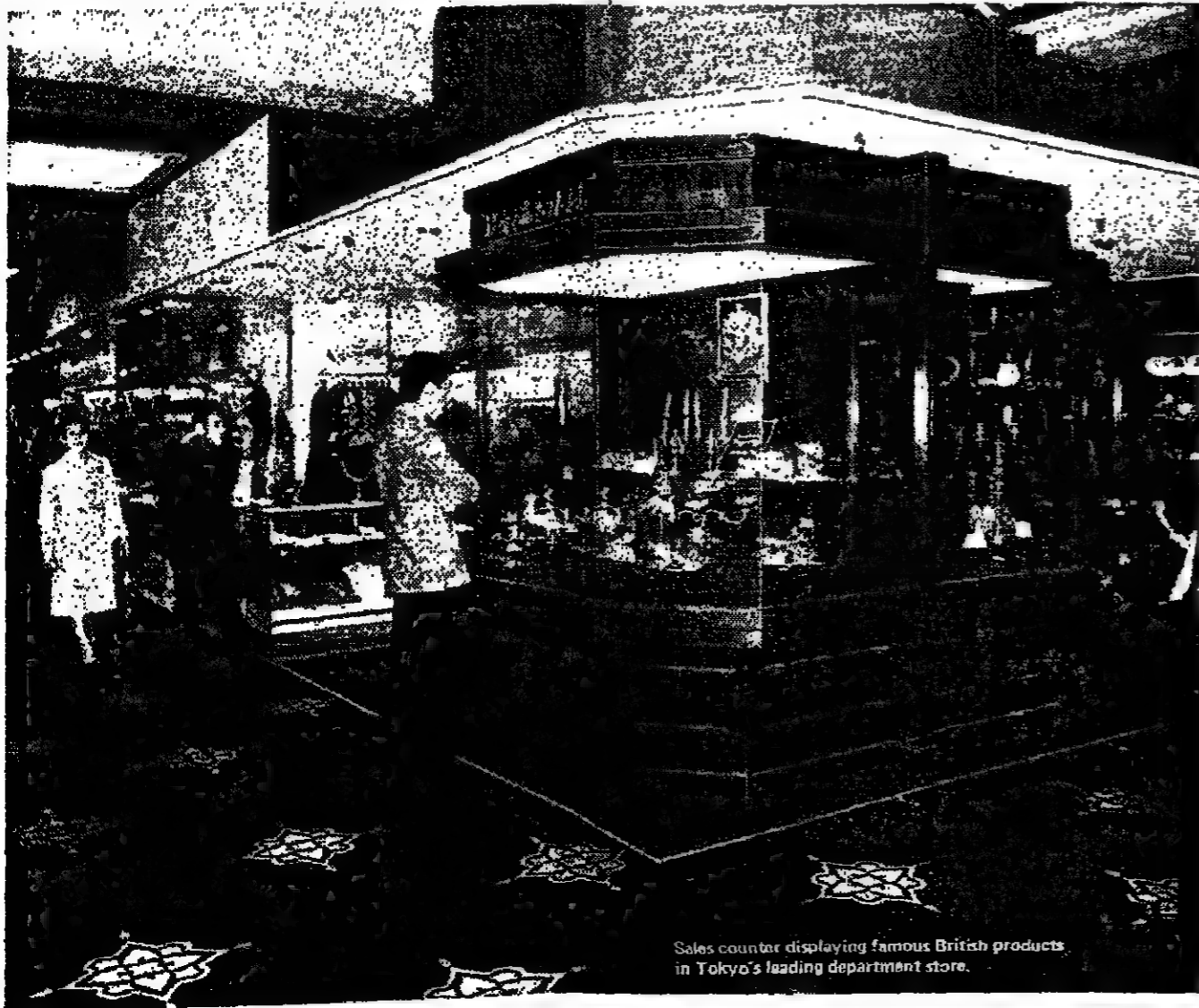
We only see the glamorous side of Japanese life, and we would feel more sympathetic towards the Japanese people if we knew more about ordinary working conditions. It seems to me the workers in Japan must have a rotten life, exploited and underpaid for the work they do.

I am sorry to say that Mrs. Deffee is not up to date about Japan. The average hourly wage in Japanese manufacturing industry was £1.75 in 1976, higher than the British equivalent (£1.66).

That is, after all, why Japanese companies are now operating subsidiary manufacturing in Britain — especially in South Wales, which they seem to have taken a fancy to. One of their objectives is to sell their products — TV sets, zipfasteners, ball bearings and so on — to third countries like Ireland and the continental EEC.

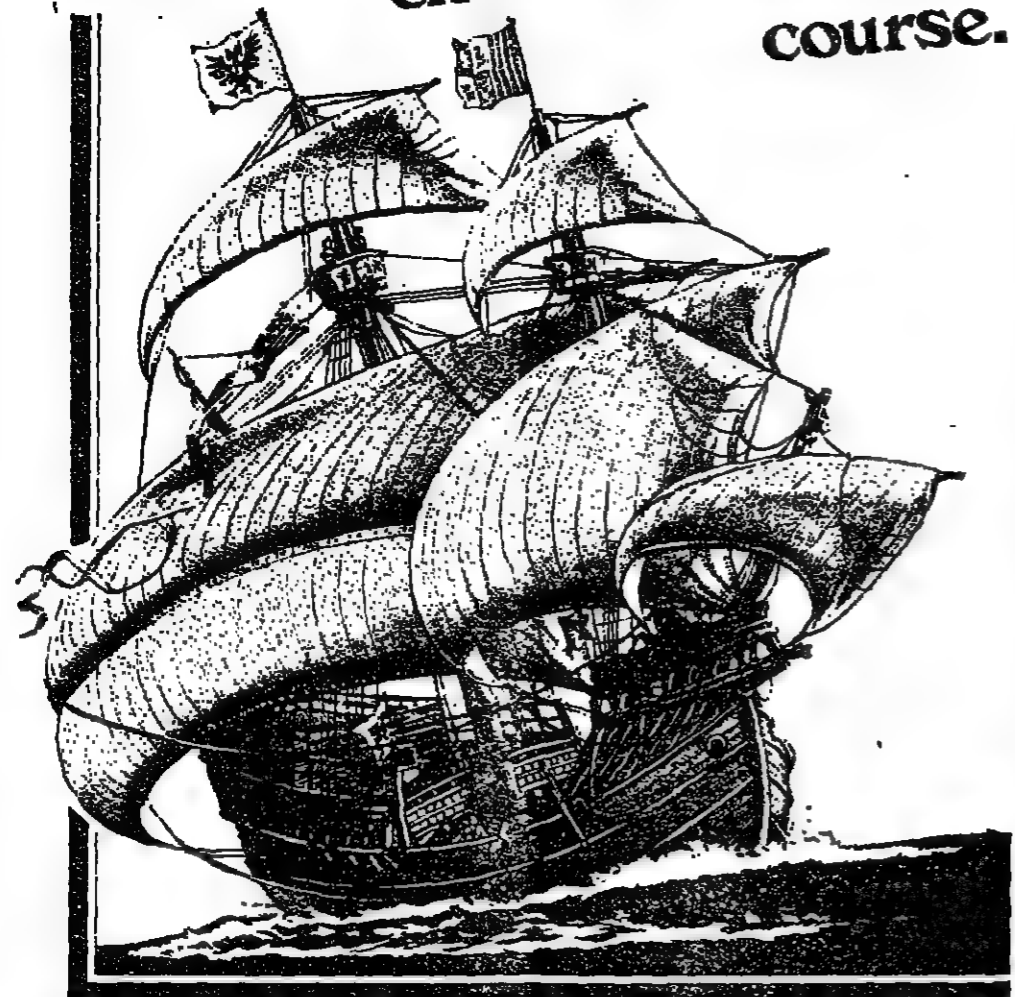
Japanese companies provide various welfare facilities and fringe benefits for employees and their families. In addition to regular wages and semi-annual bonuses, companies offer such extras as housing and family allowances, loans, meal and commuting expenses, credit union facilities as well as recreational and vacation facilities. Further, they also give substantial retirement allowances in recognition of an employee's long years of service (in the case of 31 years of service, the allowance averages 25 times the final monthly wage).

Real wages, net of inflation, almost doubled in Japan during the 13 years before the oil crisis, though the recession has now slowed that growth down. Nevertheless 99% of Japanese workers' households now boast both washing machine and refrigerator, 95% have both colour TV and a vacuum cleaner, 80% have a camera and telephone and 40% have a car. (Mr. M. Miyoshi)



## Widen your horizons

with us. We are known for  
charting the right  
course.



BROKERS DEALERS UNDERWRITERS & DISTRIBUTORS  
**SANYO SECURITIES CO., LTD.**

Head Office: 1-12, Kayaba-cho, Nishinbashi, Chuo-ku, Tokyo 103, Japan  
Telephone: 688-6301 Telex: J26528 SYSEC

London Office: 18 Finsbury Circus, London E.C.2 Tel. 638-3988 Telex: 8812979 SYSEC

**SANYO SECURITIES AMERICA INC.**

100 Wall Street, New York, NY 10005 U.S.A. Tel. 212-344-3640 Telex: 424662 SYNYUI

## FUJI INTERNATIONAL FINANCE LIMITED

### International Merchant Bankers

offers a wide range of international  
financial services which include

- Management, underwriting and placing of eurobond and other issues
- Management of private placements
- Management of syndicated loans
- Portfolio management

15 St. Helen's Place, London EC3A 6DT

Telephone: 01-588 4313 Telex: 884275

A member of the  
**FUJI BANK GROUP**

## Small World. Strong World. Thank Steel.

The world has never been as small as it is today. Nor as strong. Thank steel.

Everywhere you look you can see steel at work making transportation faster and communications more convenient.

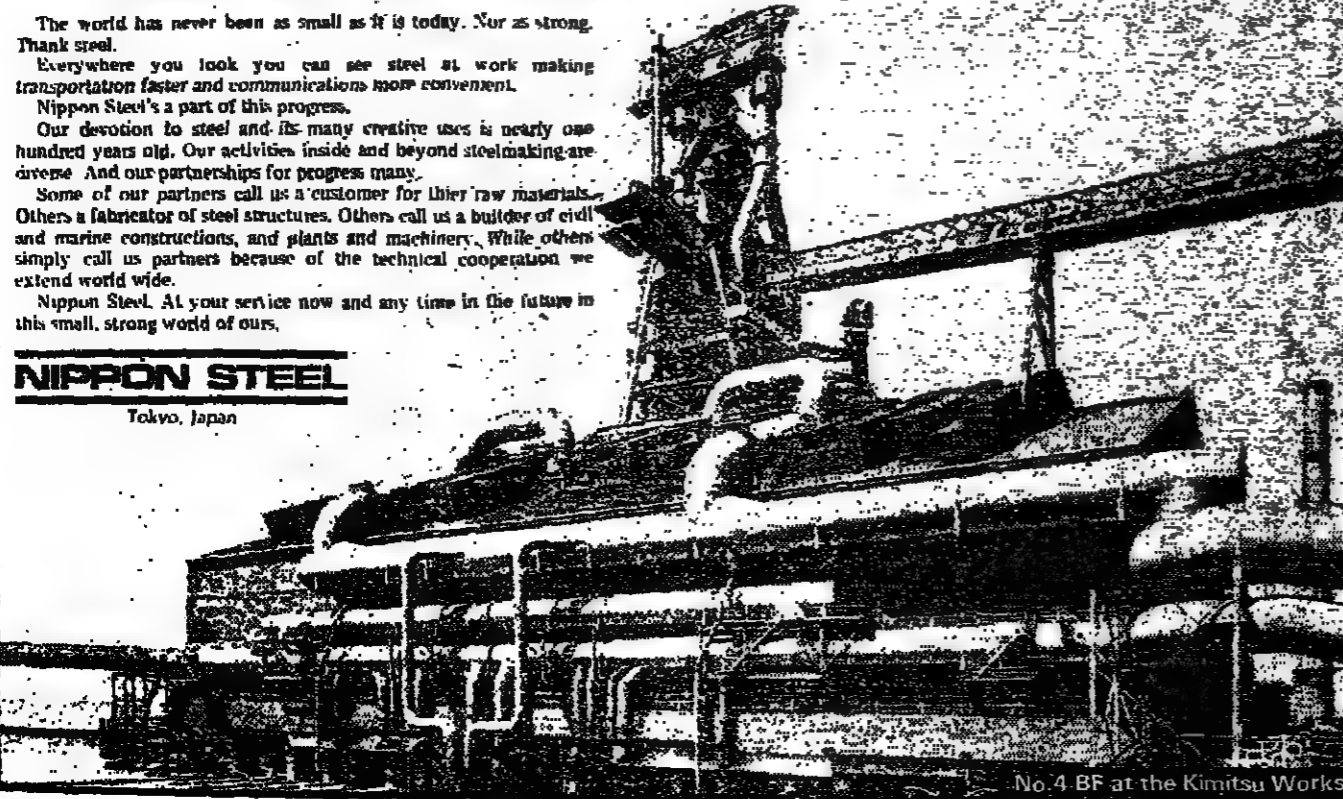
Nippon Steel's a part of this progress.

Our devotion to steel and its many creative uses is nearly one hundred years old. Our activities inside and beyond steelmaking are diverse. And our partnerships for progress many.

Some of our partners call us a customer for their raw materials. Others a fabricator of steel structures. Others call us a builder of civil and marine constructions, and plants and machinery. While others simply call us partners because of the technical cooperation we extend world wide.

Nippon Steel. At your service now and any time in the future in this small, strong world of ours.

**NIPPON STEEL**  
Tokyo, Japan



# Revising foreign policy

## JAPAN IV

JAPAN'S FOREIGN policy during the first 25 years after World War II was based on the principle of "minding one's own business and hoping other nations would mind theirs." The strategy was to stay aloof from international disputes, avoid taking the initiative, and to echo American policy wherever this could be done without directly damaging essential national interests.

It was a cheap and easy policy to follow and worked well up to about the time of the 1973 oil crisis. It no longer works today for the very simple reason that Japan has become too big to hide behind the coat-tails of the Americans and too powerful a force in the world economy to be allowed to remain silent on a multitude of economic and political issues.

As a leading Japanese specialist on international relations put it the other day: "An economic giant cannot realistically expect benign neglect." The question is how to design a foreign policy which promises to serve Japan's basic interest of keeping world trade flowing smoothly without attracting the charges of economic expansionism and selfishness—or even resurgent militarism—that other nations seem all too ready to hurl at the Japanese.

Japan's foreign policy dilemma is illustrated most clearly by its relations with South East Asia, which have been primarily economic up to now but are tending to become politicised. The Japanese realised that they could not continue to treat South East Asia simply as a market and supply source after Premier Kakuei Tanaka was mobbed in Jakarta and Bangkok on his 1974 tour of the region. The question of what other basis to construct for the relationship has yet to be solved, and many politicians and diplomats are

pessimistic about attempts to build one artificially. However, Prime Minister Fukuda made a brave attempt to suggest a new framework for Japan ASEAN (Association of South East Asian Nations) relations during a tour of the region in summer 1977 when he enunciated what has since become known as the "Fukuda doctrine."

This stresses that Japan regards itself as the equal of South East Asian nations (collectively if not individually) and that it wishes for "heart to heart" relations (not merely economic or narrowly political relations) with the area. It is also stated that Japan wants to promote regional solidarity and to contribute to better understanding between ASEAN and Indochina (an aim which is in line with Japan's global strategy of trying to be on good terms with both parties involved in regional tensions).

### Champion

The "guts" of the new Japanese policy to ASEAN include a willingness to tailor Japanese aid and investment to the requirements of regional development plans (thus the commitment to put up funds for the five "ASEAN projects") instead of just to the interests of Japanese investors. They also include a readiness to champion the aspirations of ASEAN member countries in the outside world. What this means is not yet certain, but Japanese Ministers have been touring the region more assiduously in the recent past and have begun passing on to their ASEAN opposite numbers the substance of discussions with third parties. ASEAN appears to have been briefed, for example, on recent Japanese talks with Cambodia and on U.S.-Japan foreign ministry level consultations.

Another important role which Japan sees for itself vis-a-vis ASEAN (and vis-a-vis other developing industrial nations in the Far East) is in the maintenance of free trade. Japanese officials take the view that setting newly industrialised countries like South Korea and Singapore into the structure of GATT will be one of the main tasks on the agenda of the next round of world trade discussions to follow this summer's MTN negotiations.

Japan believes that Europe



Mr. Sunao Sonoda,  
Japanese Foreign Minister.

will argue for the right to impose restrictions on imports from such countries on the grounds that (a) nations like Korea have yet to liberalise their own imports fully and (b) it will be physically impossible for countries with "mature" markets to absorb the very rapid increases in imports that will result from growing capacity in the "semi-industrialised world." Japan intends to argue that, if world trade has to be controlled, the same treatment should be meted out for all—in other words there should be no discriminatory restrictions against the exports of emerging industrial producers.

Japanese officials take the line that Europe "can afford" to be protectionist towards the Asian industrial countries but Japan cannot "because they are our neighbours and we share peace and prosperity with them." It is wryly admitted, however, that Japanese attempts to take a stand in favour of free trade at GATT have not always stood up to the strain of economic realities. In summer 1973, when the Tokyo Round of multilateral trade negotiations was about to be launched, the Japanese Foreign Ministry was successful in persuading other ministries to accept a cabinet resolution in favour of "zero tariffs." This resolution has long since been forgotten and Japan has since reverted to the traditional practice of avoiding initiatives

and "taking a long time to answer anything that is requested to us" (as one official puts it).

Partly because of its own inhibitions and lack of experience and partly because of sensitivities at the other end Japan does not expect an easy ride in its relations with South East Asia. The tendency is to assume rather that the relationship is unavoidable and that Japan must try to put it on a stable basis without expecting to be thanked for its efforts. The same if not rather more apprehension applies to relations with China and the Soviet Union. There is little attempt to conceal the fact that Japan feels a warmth towards China which is totally lacking in its relations with Russia. But it is also felt that Japan must cling to its "even-handed" policy towards the two communist powers, at least so far as formal relationships are concerned.

In the past Japan was able to handle the China-Russia problem by playing the passive role of not taking sides and allowing itself to be "courted" by both parties. This situation is changing, partly because of the commitment to sign a "Peace and Friendship Treaty" with China (to which Japan agreed in the original Shanghai communique which normalised diplomatic relations in 1972) and partly because Japan's own economic development has reached the stage where it needs to take the initiative in promoting closer ties with one or both communist giants.

The situation will continue to change over the medium term as the Soviet Union reacts adversely to the signing of the Peace and Friendship Treaty (which it insists on seeing as directed against itself) and Japan attempts to build some compensating bridges between Tokyo and Moscow. The nature of these bridges cannot be guessed at with any ease, largely because an unresolved territorial conflict (the "Northern Islands issue") rules out the signature of a peace treaty between Japan and Russia. What seems just conceivable as the alternative to a Japan-Soviet peace treaty is the signature of some form of "good neighbour" agreement—a proposal made by the Russians last winter and is who they should be talking

CONTINUED ON NEXT PAGE

## Aim is to step up aid commitment

IF FOREIGN Ministry officials have their way Japan by 1985 will be a close second to the U.S. as a foreign aid donor. It could easily be giving away five times as much as in 1976, the trough after the oil crisis.

Japanese aid men will retain a reluctance to intervene in the priorities set by recipient governments but also at least some of their customary metrics of aid will be reviewed. The visibility of the specific projects their increased aid will be primarily a boon for the elites who set the priorities or a substantial help for the peoples of developing nations remains to be seen.

Aid seven years from now is hard to predict with certainty because in Japan more than in most countries foreign aid has traditionally been considered marginal by the people who make budgets. In the 1960s Japanese "aid" was widely recognised as a thinly disguised form of export promotion. Japan was just emerging from underdevelopment itself. The Japanese performance caused resentment among the recipients, who did not feel aided.

The Japanese were just starting to build a better reputation when the oil crisis hit. They had brought their foreign assistance to a respectable 0.25 per cent of GNP in 1974 (0.35 per cent is common in Europe), but then they cut it to 0.20 per cent—\$1.1bn—by 1976. They would have cut it further if they had not already committed large sums in 1975.

Nowadays Japan has an embarrassing balance of payments surplus and is in a mood to increase its "economic co-operation" again. Since most people expect Japan's strong balance of payments to continue, aid increases will probably continue too. "There is a mood now, a trend that is very favourable," said the Foreign Ministry official. "It's very difficult to find reasons why we can't give aid."

Aid officials hope Japan's contribution will reach a proportion of GNP comparable to that of European countries by 1985. If the yen keeps its present buying power and the Japanese

economy grows at 7 per cent a year, Japan's official development assistance will be worth \$6bn in 1978 prices—exceeding the 1977 level of U.S. foreign aid by nearly 40 per cent. Japan is unlikely to surpass the U.S., however, if only because the Japanese would not want to embarrass the Americans.

Will all this money do any good? The Japanese have no major lobbying groups demanding that their aid actually help the poor, and little religious tradition of charity. Their government would certainly send aid to Uganda or Rhodesia or Chile if it would guarantee access to a resource it considered important.

### Criticise

The Japanese have little willingness to criticise the governments they help. "It's very difficult to say 'Your government's projects are not very well co-ordinated and not reflecting the real needs of the people,'" said a Japanese official. "The Americans are very interventionist. They enjoy it," he added.

Criticising recipient governments is particularly difficult in the East Asian countries that have been the largest recipients of Japanese assistance. Japan occupied those countries during World War II, and their peoples are very sensitive about apparent Japanese interventionism.

But the Japanese economic experience, especially since the war, is in many ways a very useful model for developing countries. Factors in Japan's postwar success have included a heavy pre-war emphasis on education, a radical redistribution of income after the war, and careful fostering and financing of small-scale labour-intensive industries. In Agriculture Japan has been able to provide a good living for some 6m farmers and related workers even though the average cultivated land per farm household is only one hectare—one 64th of the average in Britain.

Japanese officials live like ordinary Japanese, which means their standards of housing and recreation are quite low. When they visit "developing coun-

tries" they almost always find many valuable friends by rejecting or postponing numerous requests for large-scale projects they considered inappropriate.

The Japanese commitment to quality conflicts with the natural bureaucratic desire to take advantage of the current mood in favour of aid. "Our concern is the volume; we have no concern about the effectiveness," said an official of the economic cooperation policy section of the Foreign Ministry.

"It's difficult to pursue two objectives. When you try to lift the volume, you must concentrate on volume." That is clearly not the policy of the entire Japanese Government but the conflict between quantity and quality over the next few years could become acute.

Robert Wood

## SAMURAI PORTFOLIO



One of the leading  
Mutual Funds  
in Japanese securities

SAMURAI PORTFOLIO, a fund under Swiss law, is sponsored and managed by a group of leading Swiss private and commercial banks with independent investment advisors in Japan

For detailed information write to  
Gertrud S.A., 22, rue de la Cité, 1211 Geneva 11

# Defence shortcomings

ALTHOUGH THE fact is not often stressed Japan occupies what is probably the most strategically sensitive position of any major nation in the Far East. The Japanese islands together effectively close off from the Pacific Ocean the seas into which the Russian fleet has direct access from its bases in Eastern Siberia. With the exception of the sea passages between the Kurile Islands (which are impassable in winter) the Soviet fleet must pass through one of two major straits controlled by Japan (the Tsushima Strait between Honshu and Korea or the Tsuruga Strait between Honshu and Hokkaido) in order to reach the open sea. With the increase of Soviet sea power in the Far East Japan's geography is steadily increasing its strategic importance.

The two other distinctive factors in Japan's strategic position are that it is exceedingly vulnerable to attack (because of the dense concentration of population and industry along its Pacific coast) and that it is dedicated to a non-military posture in world affairs. Article Nine of the Japanese constitution, which was drafted by the U.S. occupa-

tion authorities after World War II, says that Japan will not maintain military forces of any kind and will never use war as an instrument for settling disputes with other countries.

In point of fact Japan does today possess defence forces (although they are officially referred to as "Self-Defence forces"). Its defence budget for 1978 is just over two-thirds the size of the UK defence budget but this is not enough to provide a credible defence capability for the Japanese islands, which are strung out over a distance of 2,000 miles from north east to south west. There is no prospect that Japan will be able to defend itself adequately in future unless it acquires nuclear weapons which are technologically well within its reach but politically unacceptable. The consequence of all this is that Japan will remain for the foreseeable future dependent on the U.S. for its security.

The American commitment to defend Japan is enshrined in the U.S.-Japan security agreement which came into existence in 1951 and was renegotiated in 1960.

Under the current arrange-

ment the agreement is "automatically" renewed once a year and there is no sign that either side wishes to change this. The official doctrine underlying the Japan-U.S. defence relationship and the maintenance of Japan's own small defence establishment is that Japan's own forces should constitute a "standard defence capability" qualified to monitor the military situation in Japan's immediate neighbourhood, and to deal with "small or limited" threats to Japanese security. Anything bigger remains the responsibility of the Americans.

## Forces

The U.S. maintains substantial forces on Japanese territory (46,000 troops and 200 aircraft mostly located on Okinawa). The credibility of its defence commitment, however, depends on the assumption that in an emergency more forces could be flown in within a period of not more than 48 hours from other U.S. bases in the North West Pacific (e.g. the Philippines, Guam and Hawaii).

The Japan-U.S. relationship is static in the sense that neither

side has any intention of abrogating the agreement (except for the more Left of the Japanese opposition parties, which appear unlikely to attain power during the next few years). It is dynamic in the sense that attitudes to defence questions are changing on both sides. The end of the Vietnam war left the U.S. less interested in Asian security questions and the Japanese (and other Asian nations) less inclined to assume that the American defence presence in their region would last for ever.

Simultaneously, Japan's growing economic power and its rapidly growing bilateral trade surplus with the U.S. caused the latter to start questioning the wisdom of a policy which seemed to give Japan a "free ride" in defence. These trends have produced a significant change of emphasis in the U.S.-Japan defence relationship. This in turn is beginning to affect Japanese defence policy across the board (and not merely in relation to the U.S. Japan security agreement).

The most obvious change to have taken place so far is in the financial aspect of the relationship. The U.S. has begun to suggest that Japan should shoulder part of the burden of the American defence presence in Japan—for example, by paying the salaries of Japanese employees on American bases. Japan appears willing to do this and some kind of undertaking on the matter is thought to have been given to the U.S. authorities by the Director-General of the Defence Agency (equivalent to Defence Minister). Mr. Shin Kanemaru, during a recent visit to Washington.

A second area of change involves the freedom of action of U.S. forces in Japan. The U.S. would like to be able to use its Japanese bases in the defence of South Korea if there were to be an attack on the south from the north. The terms of the U.S.-Japan security agreement can be understood to require government-to-government consultation before such use, but a movement appears to be on foot to bypass the need for consultation at a political level. What has been happening is that U.S. forces in Japan



State Minister Shin Kanemaru, Director-General of the Defence Agency.

and the Japanese self-defence forces have been quietly stepping up their de facto co-operation in ways that were not called for by the security agreement.

A committee, including service personnel of both sides, was established in 1976 to discuss ways in which U.S. and Japanese forces would co-operate in the event of an attack on Japan. Since then Japan's maritime self-defence force has taken part in naval manoeuvres with the U.S. Seventh Fleet off the Philippines.

The big question about Japanese defence policy is whether a move will be made beyond unobtrusive participation in U.S. defence exercises to a more general involvement in security matters outside Japan. The stationing of Japanese forces elsewhere in Asia as a contribution to some kind of collective security arrangement remains a total impossibility since it would arouse the latest fear of a revival of Japanese militarism that exists in the region.

What does appear possible—and may even be starting to happen—is some kind of indirect input by Japan to the security of other "friendly" countries. This would not

necessarily be limited to North and South East Asia. Such collaboration could be based on technology or production sharing between Japan's small but sophisticated arms industry and the defence industries of collaborating nations.

One sign that Japan is moving towards greater direct involvement in global security questions is the increase in high level defence contacts with China and Western Europe. In China's case the initiative for this would seem to have come mainly from Peking. A professor from the National Defence College was invited to China in 1976, after which there have been further missions of service personnel from the self-defence forces.

A ground self-defence firing team is likely to go to China soon on a demonstration trip and there will be other missions, probably in an accelerating stream. There has been no direct or admitted exchange of military technology between Japan and China but a former adviser to the self-defence forces visited Peking recently in the capacity of an executive of Nippon Seiko (one of the top Japanese ball bearings companies). The relevance of this visit to defence would seem to be that China's arms build-up programme calls for an improvement in its capacity to manufacture special steels.

## Visit

Defence contacts with NATO began when the Director General of the Defence Agency made the first recorded visit to NATO headquarters in May this year. Contacts seem certain to become increasingly frequent from now on, presumably centring on an exchange of information about the Soviet Union. Some observers see regular and institutionalised contacts between Japan and both NATO and China by the mid-1980s, leading to the emergence of a Washington-Tokyo-Peking-Bonn axis. This could be at its strongest by the middle of the decade, perhaps declining in importance (or at least in the mutual trust of its members for each other) after that time as

China's military build-up became more formidable.

The notion that Japan might start to take part in a collective security system while remaining dependent on the U.S. for its own defence has various implications for domestic defence policy. The main one is that Japan would need to aim at the development of a high-quality defence force stressing advanced technology which could provide a specialised input into a regional or global system. On the other hand it would not attempt to develop an all-round defence force which, to be of any use, would have to be far larger than appears at all possible.

These ideas do in fact seem to underlie current Japanese defence spending, which has moved away from a succession of "four year building-up programmes" (the last of which ended in 1976) to a new series of annual plans, stressing "qualitative improvement."

The prospect for the next seven or eight years is that there will be no remarkable increase in the number of aircraft, warships or tanks operated by the self-defence forces but there will be a large amount of replacement of obsolete equipment. The two major replacement programmes involve buying 100 F-15 aircraft to replace the F-104, the older of the two interceptor aircraft current in use by the self-defence force, and the purchase of Lockheed P-3C anti-sub patrol aircraft (to replace the World War II-style aircraft currently in use). Japan is already committed to these two programmes, both of which will be phased over a seven- or eight-year period (starting with direct imports and ending with production under licence by the Japanese aircraft industry).

Another major piece of replacement which has to be undertaken as part of the switch to the F-15 involves the acquisition of a new ground control system to replace the Badge system. It is virtually impossible to put satisfactory price tags on any of these items but it does seem to be clear that the investment involved will take Japan's defence expenditure well above the one per cent of GNP ceiling established some years ago by the Government as a policy guideline. Defence spending could reach 1.5 per cent of GNP by the mid-80s.

The breaching of the one per cent barrier will not mean that Japan will lose its inhibitions

about defence overnight. It is likely, however, to stimulate a more vigorous debate on defence forces includes the Government's defence policy more closely than before but with greater attention also being focused on the deficiencies of the present defence capability. A recently compiled list of shortcomings of the self-defence forces includes the following bizarre list of items.

● The air self-defence force lacks the capability to defend its own bases and relies on the police to do this for it.

● There is no space in Japan for the ground self-defence force to test the long-range fire power of its newest tanks (and no money in the defence budget to acquire that amount of space).

## Training

● The pilots who fly the new F15 fighters will have to do their training in the U.S., because the 250 kilometre radius air space needed for training is not available in Japan.

● The air self-defence force at present has only one major depot for high octane aviation fuel—at Kure on the inland sea, although one of the most likely areas of any future war is Hokkaido.

● The maritime self-defence force has men and equipment enough only to lay mines at the rate of one per day—although it would take 300 mines effectively to blockade the Tsushima Straits between Japan and Korea.

Many of these shortcomings and other similar ones will still exist in 1985. So also will the existing legal constraints on the freedom of action of the self-defence forces. One of these prohibits the air self-defence force's interceptor aircraft from firing until they are fired on. What will change, and perhaps change rapidly, during the '80s is the underlying military capability of Japan in the sense of its command of the technology needed to transform it into a major military power.

The odds are that this technology will be put to use in a way calculated to serve the collective security needs of nations which share Japan's apprehensions about the Soviet Union. Japan itself in the mid-'80s will continue to claim allegiance to its non-military principles, but the veil will have become thinner.

C.S.

## Foreign

CONTINUED FROM PREVIOUS PAGE

to in Europe and about what Japan sees the EEC Commission as a body which is not even fully qualified to discuss trade issues (because its mandate from member nations does not give it the power to arrange its trade demands in any order of priority) and totally unqualified to discuss the broader issues which remain the prerogative of member governments. It claims to feel confused by the necessity of conducting parallel diplomacy with the EEC and member governments but nevertheless expects relations to deepen. It also felt that Europe may complain less bitterly about the trade deficit with Japan once Japan gets its overall payments into balance—or at least that, if

Europe does continue to complain, its complaints will no longer be reasonable.

## Pillars

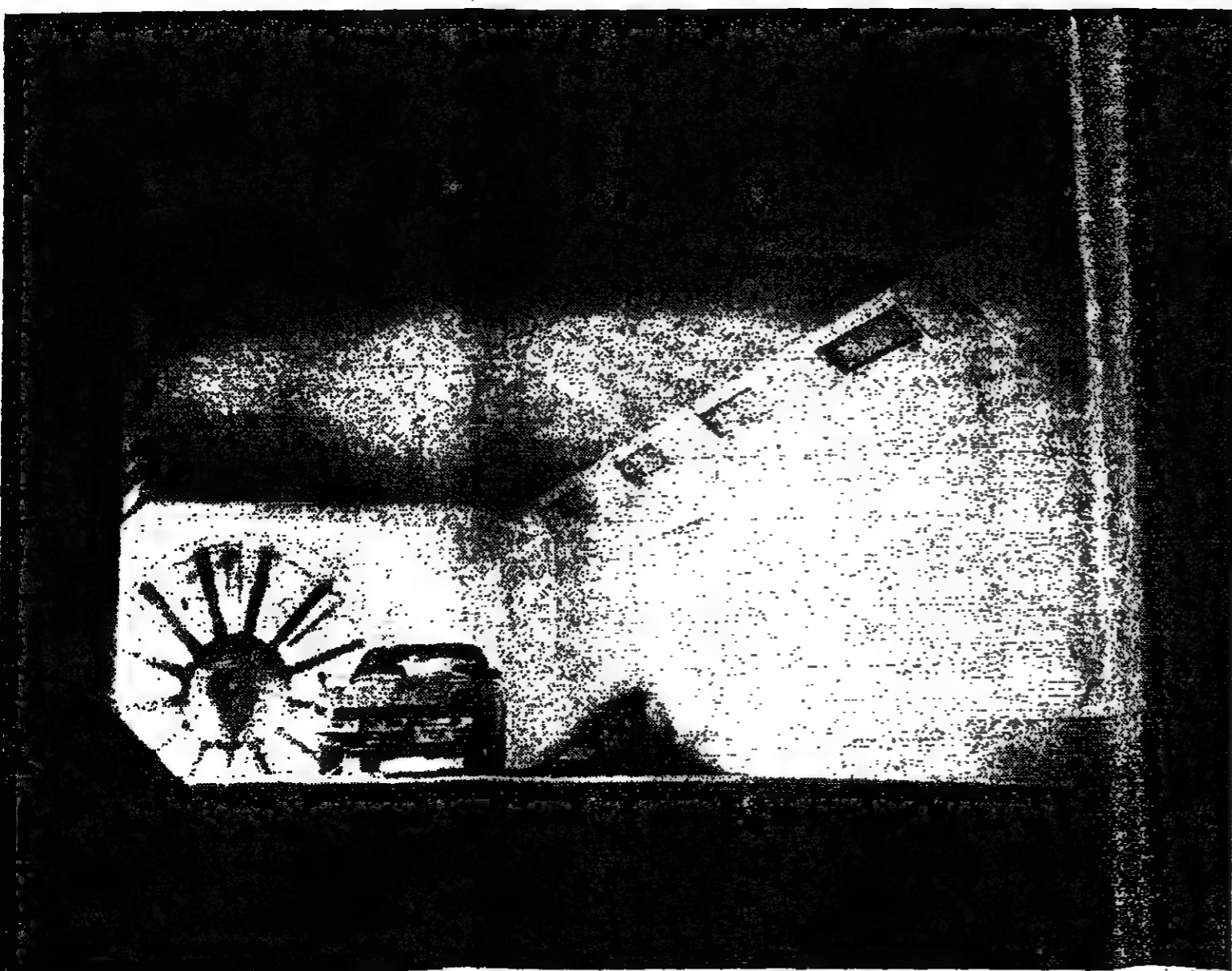
A review of relations with individual regions leaves unanswered the fundamental question of the basis on which Japan should conduct its foreign policy in the longer run. Officially foreign policy rests on the twin pillars of the Japanese constitution, which forbids the use of military power to settle disputes, and the strength of the Japanese economy, which provides Japan with enough cash to exercise some form of influence on events outside its frontiers. Unofficially it is admitted that a foreign policy based on money

and disarmament may not survive for ever.

The "cover" for the beginnings of a Japanese involvement in international security could be the UN, to whose peace forces Japan could contribute, first equipment, and then possibly defence personnel disguised as technical experts. It sounds a painfully roundabout way of admitting that, after all, Japan may have the same interest as other wealthy and successful nations in contributing to the maintenance of international law and order. Japan's post war history seems to show, however, that equally roundabout methods have produced some startling changes in other aspects of the nation's life.

C.S.

# Sometimes even a hurricane can whip up some great ideas.



If you've ever driven down a high way in gusty weather, you know how frustrating and alarming it can be. And when the car looks like losing control, you know what a fight you've got on your hands to keep it.

That's why stability is so important. And at Datsun, we've built a wind tunnel where we can put you on the right course to get it. We use an eight-meter-diameter propeller that can create anything from a gentle zephyr to a 120 k.p.h. hurricane. And a turntable, which lets us test the car in head winds, following winds, cross winds—every kind you'll ever meet. Plus a few we hope you won't.

The result is the clean styling and aerodynamic design you can see on every Datsun. Making them faster, smoother, safer and quieter. More economical too. That's why we say that Datsun is styled for value as well as performance.

And that's not just a puff of wind.



Tough tests: the Datsun way to total economy.

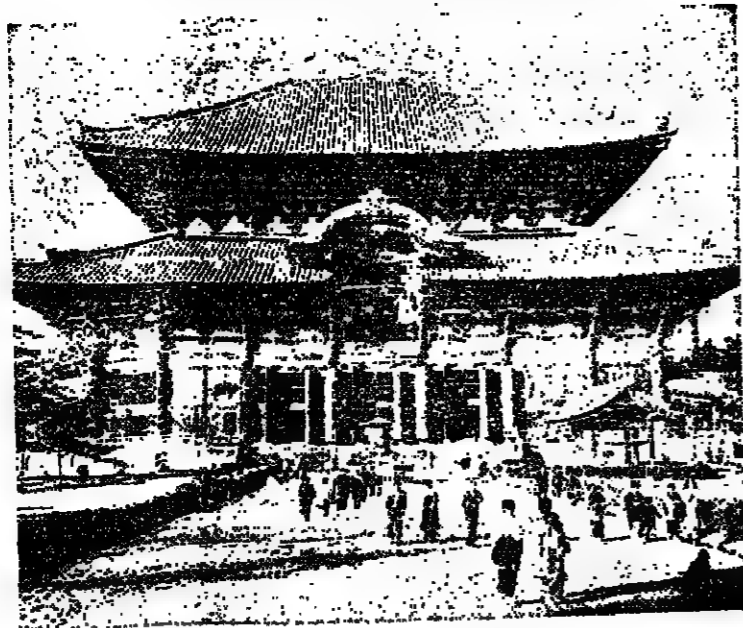
**DATSUN**



## JAPAN VI

## スイス・フォルクスバンク

suisu forukusu banku



# ...or in English: The Swiss Volksbank in Japan



To even better serve our customers internationally, and in recognition of the increasing importance of the Far East to our clientele, we have opened a Representative Office in Tokyo on July 1st, 1978.

Our Chief Representative for Japan is Mr. Kenzo Wada who has a wide experience and outstanding knowledge of the financial markets and economy of Japan as well as those of other countries of the Far East.

The address of our Tokyo Office is:  
Swiss Volksbank Representative Office in Japan  
Kasumigaseki Bldg., Suite 2618, 3-2-5, Kasumigaseki  
Chiyoda-Ku, Tokyo 100

SWISS VOLKSBANK  
BANQUE POPULAIRE SUISSE / SCHWEIZERISCHE VOLKSBANK



# This is not a mirage in the desert.

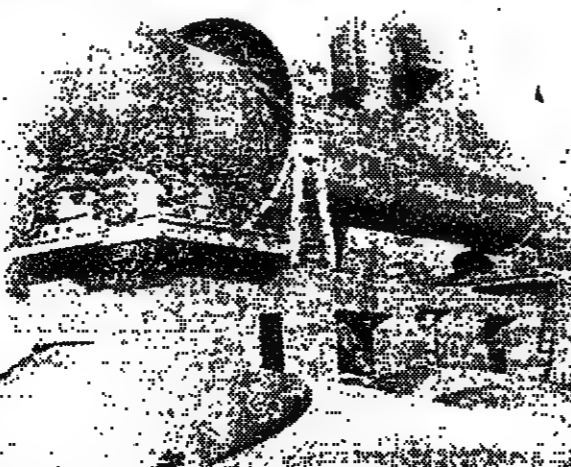
Nichimen, in cooperation with Ishikawajima-Harima Heavy Industries (IHI), a leader in plant manufacture, received an order at the end of last year for the largest cement plant in the Middle East. Another order was received shortly after for a cement plant from Abu Dhabi.

Our many achievements in the Middle East following construction of the first cement plant in Abu Dhabi in 1973, we believe, are based on our rich experience and the feeling of trust and security accorded us.

The above is only one example of our activities. As a global business organizer engaged in gathering the latest information and introducing new techniques on a worldwide scale, Nichimen is cooperating in the development, construction and progress of local economies. We are constantly striving to bring about the best results for your requests.

## Global Business Organizer Nichimen

Nichimen Europe B.V., London Office, 10 Abchurch Lane, London EC4N 3DF  
Nichimen Co., Ltd., 1-1-1, Nishi-Shinjyuku, Shinjyuku-Ku, Tokyo 163  
Nichimen Co., Ltd., 1-1-1, Nishi-Shinjyuku, Shinjyuku-Ku, Tokyo 163



The head office of Dai-ichi Kangyo Bank in Tokyo. The bank, Japan's largest in terms of deposits, is considering a major expansion of its overseas activities.

# Banks step up their foreign business

JAPANESE BANKS will be in place to take best advantage of whatever opportunities might exist in overseas lending in the 1980s; this much is now clear, though it is often overestimated. In short, Japan has come far in just a dozen years since it last stopped borrowing from the World Bank (in 1966).

Still, there is little chance of Japan "exporting" banks as it has done cars, ships, steel and so on. To begin with, Japanese officialdom is fearful that it will give the banks a life of their own after years of their taking orders from the Ministry of Finance and Bank of Japan in exchange for favours. Second, the fortunes overseas of Japan's banks are tied to the expansion of Japanese foreign investment, and it is by no means certain that investment will grow as rapidly as many observers reckoned just a couple of years ago (see Overseas Investment).

In a private study of Japan's city banks last year, the consultants International Business Information (IBI) noted that the "base load" for Japan's financial activities abroad "has been provided by the financial needs of Japanese corporations. But although the focus of lending activities by overseas branches has been Japanese corporations, there has been a gradual shift toward provision of credit to major U.S. firms as well."

IBI predicts that Japan's banks will be very active in coming years in (a) providing both dollar and yen trade finance, and (b) Third World development lending. Nevertheless, during the early 1980s much of Japan's expanded banking presence abroad must necessarily come from being bankers to Japanese investors. The table compiled by IBI from Government and private estimates shows the theoretical trend of estimated borrowing by

Japanese investors abroad based on current forecasts. As IBI points out, these figures will "act as an incentive for Japanese city banks to move forward with expansion plans overseas, including more branches and expansion of activities by underwriting companies." The underwriting activity (largely forbidden to the banks inside Japan) is a big selling point since many bank clients are seeking expanded access to foreign capital markets and not purely bank loans.

## Presence

Yet until now, the Japanese banker has been less than ubiquitous abroad. At last count, 18 Japanese banks were listed among the top 50 banks outside the U.S., but their presence in international markets has not been overpowering. Quite the contrary.

Although by the end of 1978 experts reckon total outstanding lending by the banks overseas will have risen to over \$10bn, less than \$5bn has flowed to borrowers in the developing countries. That is roughly only 2 per cent of what the International Monetary Fund estimates to be total bank loans from OECD countries to the developing world. Indeed, after 1970s as international lenders, Tokyo clamped down when it feared the banks had over-extended themselves while at the same time having to pay for Japan's higher oil bill with an estimated \$30bn in Euro-market borrowings in 1974 alone. The ban on syndicated loans by Japanese banks abroad was lifted in late 1976, soon after Japan also resumed letting foreign institutions borrow yen on the domestic Tokyo bond market. Simultaneously, Japan-

ese banks were allowed to resume (a) setting up branches abroad relatively free of Government supervision, and (b) lending short-term cash to Japanese companies setting up subsidiaries abroad. In 1977 and 1978, Japanese banks have gone some way to make up for lost time; a dozen or so branches of Japan's 13 city banks were opened abroad in 1977, and foreign bond placements in the Tokyo yen market might teach a phenomenal \$4bn-\$5bn in 1978 (compared with a negligible \$65m lent in the half-year after yen-denominated loans were resumed in July, 1975).

Nevertheless, most Japanese bankers point out that overseas business remains a very secondary one (compared with domestic business). Mitsu Bank reckons just over 15 per cent of its income is from abroad; for most other banks it is probably

CONTINUED ON NEXT PAGE

# Yen still seeks a world role

SINCE the start of 1977 the yen has appreciated against the dollar by over 45 per cent. At \$200 the rate in mid-July, 1978, seems not over-valued—hence many exchange dealers are pointing to further appreciation. But how far, and for how long?

In the medium-term (to 1980) the yen's fortunes are inextricably tied to Japan's balance of payments performance. The \$14bn current account surplus in fiscal 1977 may grow larger in fiscal 1978, giving rise to massive market pressure on the yen at a time when the dollar is still losing ground because of America's high oil imports and growing trade deficit (especially with Japan). Even last month there was no clear evidence of a cut in the current account gap—though export volumes appear to have reached a plateau, imports are actually declining.

## Erratic

Most economists feel, however, that the surplus will gradually come down—perhaps by mid-1979—and in a big way. That would certainly reduce pressures on the yen, but even allowing for erratic market movements the Japanese currency is not likely to return to its pre-1978 levels. Above all, Japan seems set for a long period of surplus on current account if only to keep home industries afloat with marginally priced exports until the transition is made to a less export-intensive industrial structure. Tokyo says repeatedly that it "aims" for balance in current account, but the West German experience is not lost on private economists in Japan. The likelihood of continuing surpluses should be seen as inevitable, and likewise the yen's rise. Moreover, there are factors quite apart from the current account surplus which will figure prominently in the yen's future—namely "internationalisation" of the Japanese currency.

According to Mr. Eric Hayden, senior economist for the Bank of America in Tokyo, "only the lack of official support" has kept Tokyo from assuming its role as a major international capital market—small relative to the scale of New York and London. Gradually, Japanese only 18.4 per cent of Japan's authorities "have begun to accept the inevitability of the yen's internationalisation." In cent for West Germany—a recent speech he noted that although the two nations' shares

of trade or GNP in the world economy were about the same.

Furthermore, Mr. Matsukawa remarked, "the average shares in the total amount of international and foreign bonds issued between 1974 and 1977 were 2 per cent for the yen and 15 per cent for the Deutsche Mark" and official reserves of all countries in 1975 and 1976 were 0.6 per cent for the yen and 8.9 per cent for the Deutsche Mark. (Between 1972 and 1976 the average amount of Japanese yen held as a reserve currency by foreign governments was about \$500m.) As Mr. Matsukawa suggests, the yen's reserve role is "far behind the dollar, Deutsche Mark, pound and French franc, and its status is comparable only to the Dutch guilder, Canadian dollar or Belgian franc."

## Detrimental

But why the slow emergence of the yen as an "international" currency? Outside economists tend to blame it on the Ministry of Finance, which sees increased use of the yen as detrimental to domestic monetary policy. Mr. Matsukawa professes such fears. "The outstanding external liabilities denominated in a national currency have to be taken into consideration in managing domestic economic policy," Mr. Matsukawa explains. "Therefore the manoeuvrability in implementing domestic monetary policies would be reduced considerably."

The debate over liberalisation is still raging inside Tokyo's bureaucracy, but Mr. Matsukawa takes the view that this is natural given Japan's very recent emergence (a) as a major economic power and (b) as a capital-exporting nation. A comparison with West Germany is in order, Mr. Matsukawa explains, since the post-war period has been characterised by increasing surpluses for both support for the yen in exchange countries. "The difference between Japan and West Germany," he insists, however, "is that the trend of an increasing German surplus was already evident in the 1960s while that of Japan became noticeable in the 1970s."

The Vice-Minister went on to say: "After the German surplus became evident, it took about ten years for the German mark to be used as an official foreign reserve by monetary authorities." Mr.

Matsukawa concluded: "Because the Japanese surplus became evident at the end of the 1960s, it may be no coincidence that the era of internationalisation of the Japanese yen has just begun."

As to the future, most observers see very encouraging signs which point to an "international" yen. Foreign exchange controls were pared back in April, 1978; so too were controls on gold trading. Capital exporting has practically become a priority. This year between \$4bn and \$5bn of yen bonds will be placed by foreign governments and international agencies—together with the first one or two placements in Tokyo by private foreign borrowers. (In 1975 "Samurai" bonds were only \$200m.)

The Tokyo bond market itself has grown in size too. In the fourth quarter of last year the value of bonds floated on the domestic market was \$785m, only about half the American market in size but easily challenging notations on the Swiss (\$879m) or German (\$834m) domestic capital markets. Meantime, although Tokyo has not given banks a free rein to deal in foreign exchange, a daily turnover of \$500m on the Tokyo foreign exchange market is now the rule rather than the exception.

So too are purchases of Japanese securities by foreign investors. In 1977 foreigners bought \$2bn more than they sold on the bond market, about ten times the 1974 figures—and in marked contrast to 1973 when the net flow of investment was out of Japanese bills.

If the volume of trading on Japan's various capital markets continues to grow, and Japan's current account surplus necessitates further measures to export capital, "internationalisation" of the yen will be the logical consequence. The growth of lending and overseas investment will, meantime, act as a sound support for the yen in exchange markets long after the current account surplus is whittled down or even reversed (which is unlikely).

In such an event it is hard to imagine the yen ever returning even to its predominant level of ¥285, over the five years since the oil crisis. Rather does it show every sign of repeating the German mark's transition to a strong currency.

Douglas Ramsey

# Slower growth in overseas ventures

JAPAN HAS invested about \$22bn abroad since 1955, though perhaps only \$18bn is "net" overseas investment. According to the Ministry of International Trade and Industry (MITI), the accumulated amount of overseas investments may reach approximately \$35bn by the end of fiscal 1980 and approximately \$80bn by the end of fiscal 1985. That assumes a hefty rate of increase of about 18 per cent a year in the early 1980s: by contrast, it is estimated that in fiscal 1977 (to last March), investment grew by \$2.6bn—or roughly 13 per cent. That is substantially short, too, of the record 1973 level of Japanese overseas investment when Japan ploughed \$3.5bn into its foreign projects.

In short, if Japan stays on its present course there are clear obstacles to its achieving the sort of overseas presence which MITI is predicting. Nevertheless, it is important to add that exporting capital is a relatively recent phenomenon. Also, Japan has largely managed to secure market shares abroad through exporting from Japan—a route now becoming increasingly tortuous as importing countries insist that jobs be created by the Japanese and not taken away. So MITI's prediction could still prove correct. If so, the volume of repatriated earnings from overseas back to Japan could rise to roughly that of the UK (a long-term support for a strong yen).

## Unlikely

It is unlikely, however, that Japan's overseas investment will surpass Britain's before 1985 and it will still lag far behind America's. Between 1967 and 1974 Japan's overseas investment went up 10 times, and then between 1974 and the end of fiscal 1978 is estimated to have doubled (from \$12.7bn). Nevertheless, there are natural constraints on further growth. With an industrial trading structure akin to West Germany's, Japan has already surpassed the latter's level of overseas investment. But expansion of industrial investment in

sion of industrial investment in developed countries will be more, not less, difficult in the early 1980s. West Germany has directed about 60 per cent of its overseas investment to other countries in Western Europe, and the U.S. has done respectably by putting close to 40 per cent of its foreign investment into Europe. Most of the investment, however, was ploughed into Europe when controls were more relaxed. Japan, which has invested less than 15 per cent of its overseas funds in Europe, is unlikely to catch up on that continent. Indeed, if "indirect" investment in the Middle East via London holding companies is discounted from the total, Japan has invested only about 10 per cent of its total in Europe, or slightly over \$2bn.

In 1977, in fact, Japanese investors shunned overseas ventures. After investing nearly as much in 1976 as they had done in the record year 1973 (\$3.5bn), they pulled back investment. Only \$2.6bn or so flowed out of Japan—a fall of about 25 per cent. And although investment has picked up in 1978, it is not likely to rise substantially as long as several large resource projects are kept on ice due to depressed commodity prices.

Looking to 1985, however, the most dramatic change in Japan's overseas investment may be its direction and type, not volume. Whereas the U.S. and West Germany send close to 70 per cent of their investment to industrialised countries, only about 40 per cent of Japan's investment has gone to other advanced nations, that is, the bulk of all investment (and especially manufacturing investment) has been to developing countries—notably in Asia. This is changing. Although figures for 1977 investment are not yet available, economists reckon there was a more rapid increase in productive investment in the U.S. than any other region. For the most part, such investment is aimed at "substituting" for exports which are not popular. Germany's Japan has already surpassed the latter's level of overseas investment. But expansion of industrial investment in

Matsushita, Mitsubishi and others have already advanced in this sector). For Sanyo, the move is a logical follow-up to other overseas investment decisions: last year Y220bn in overseas production for Sanyo accounted for fully 27 per cent of group sales—compared with 21 per cent the previous year. The company estimates the foreign slice of output will rise steadily to over 40 per cent in the next few years.

## Important

In the manufacturing sector, cars look like being the most important Japanese export industry to shift a sizeable portion of output to the U.S. Two motorcycle makers—Kawasaki and Honda—build or plan to build motorcycles in the U.S., and it is expected that in the early 1980s Honda will extend its plant to produce cars as well. The two giants of Japan's car industry, Nissan and Toyota, are seriously scouting production sites in the U.S., too. In principle, then, as many as 600,000 Japanese cars could roll off U.S. assembly lines by 1985 if these three take the plunge. And if the up-and-coming Mitsubishi Motors, as rumoured, moves some of its lines to the U.S. the numbers could run substantially higher.

According to MITI, in the years to 1985 the share of manufacturing in Japan's overseas investment will have gone from 39 to about 34 per cent—although in the same period investment in Japan's textile industry investment will have dropped from 7.3 to 3.3 per cent. The assumption is that other industries (e.g. chemicals, non-ferrous metals) will expand much more rapidly in future. Electrical appliance makers (who had invested over \$550m abroad by last year) seem likely to continue transporting factory jobs to developing countries to take advantage of lower wage costs, whereas Japan's electronics industry will probably expand into the large, advanced markets (Europe and the U.S.) for growth. And although at one point MITI was

predicting a steady rise in investment in overseas shipbuilding, the ship glut in the late 1970s has left yards in Japan well underused—making investment decisions that much harder.

Despite the urge to set up manufacturing facilities abroad, Japan's focal interest so far has been in the resource-related sector. As MITI pointed out in its 1977 paper on "Japan's overseas investments," "Japanese agriculture may, at best, be able to supply 75 per cent of the nation's food requirements by 1985. This would operate as an inducement for investments in agricultural projects in resource-rich countries, such as dairy-farming in oceanic countries and cattle raising in Latin America." MITI goes on to point out the switch in emphasis away from oil reserves exploitation toward liquefied natural gas (LNG) projects, uranium and even coal. LNG could prove to be the single largest cheque written by Japanese investors between now and 1985: development of the vast reserves at Yakutia in Siberia as well as the north-west shelf off Australia will require well over \$10bn at expected 1985 prices—that is, about half of Japan's entire outstanding overseas investment today (at nominal prices).

The question is: how quickly will any of the big development projects get off the ground? The Siberian project, for instance, has been in gestation since before the oil crisis but, at the earliest, Japan does not expect to reach a detailed agreement with Moscow until 1980. Similarly, other resource projects have been delayed by the general lack of confidence in Japan's economy during recession (and exacerbated by the downturn in commodity markets which make many resource projects unattractive until, perhaps, 1980). The consensus in Japan, however, is that the early 1980s may be a ripe time to invest abroad in productive facilities. But earlier forecasts of \$80bn by 1985 may be optimistic on present trends.

Douglas Ramsey

## Banks

CONTINUED FROM PREVIOUS PAGE

less, except at the specialised foreign-exchange bank, Bank of Tokyo, which derives over half of its earnings from abroad.

So even with the relaxation of controls on banking abroad, just how far can and will Japanese banks go to expand their international operations in the early 1980s? There is no uniform view. Most Japanese executives anticipate an enlarged foreign presence, but few predict that much more than 25 per cent of total earnings at the banks will be derived from overseas operations by, say, 1985. Why? First of all, the volume of domestic banking business is not growing as rapidly as it once was, and the city banks (which also operate abroad) are having to compete ferociously for new domestic business—notably for the small business and individual borrowers who until now were neglected by the big banks who preferred to borrow from individuals and lend lucratively (at Government-fixed interest rates) to big corporations. Hence, Japanese banks are not as free (as some foreigners think) to switch their business abroad.

Second, language has been a problem for Japan's banks and expansion will be kept in check as a result. And third, Tokyo is apt to come back with new restrictions on overseas business which might put the banks at a competitive disadvantage with their U.S. and European colleagues.

## Arguments

Without putting a number to the percentage share of foreign business in the Japanese banks' future, however, there are more arguments pointing to tremendous expansion. Above all, there is the decline in profitability from the bank's domestic Japanese lending activity. The home market is also beset with a very high rate of corporate bankruptcy which does not look like abating in the near future. As a result, the earnings picture does not look good and there is even talk of mergers among some major banks to cope with the very changed banking climate.

Since the banks' foreign business tends to be more profitable,

and the banks have kept a low profile abroad until now, most see the overseas market as a welcome remedy to their domestic ills. Hence, the large number of banking offices abroad. Last September the Bank of Tokyo set up a wholly-owned local bank corporation in Frankfurt in another attempt to gain greater local exposure in important financial centres. All told, the Japanese banks now have about 62 bank corporations overseas as well as 120 branches (plus 130-odd representative offices and several dozen consular-ventures in which they participate with a minority shareholding).

And although this banking presence is significant, more are setting up abroad. Japan's largest bank in terms of deposits, Daiichi Kangyo (DKB), is now studying a major expansion of its overseas activities which now account for under 10 per cent of earnings. At the other end of the Japanese spectrum, the little-known Hokkaido Takushoku Bank, with headquarters in Sapporo, was

open a representative office in Houston in late 1977 (the others were Mitai, Fuji, Sumitomo and Daiwa). Naturally, major financial centres have drawn the largest number of Japanese banks: New York is host to 23 Japanese banks (including credit banks plus some regional banks); London has 22; Singapore has 15 as does Los Angeles; while Hong Kong and Sao Paulo each have 12 Japanese banks. Before 1980, several banks will set up in Seoul (Saitama Bank is opening a representative office in the South Korean capital this year). Tehran (Mitsubishi Bank recently set up there), and many bankers expect a boom in the number of Japanese banks in the southern U.S. (probably Atlanta). Another focal point of Japanese interest is Chicago where Sanwa and Sumitomo have branches and seven other banks have representative offices; one of them, Mitsubishi Bank, is converting its representative office into a branch, and other will follow suit.

D.R.

## An inside look at the Japanese stock market

As one of Japan's leading securities companies, we offer you a full line of investment services. Our trained staff of investment experts stands ready to assist you on all aspects of investment in Japanese stocks. Let us help you turn a profit with an inside look at the Japanese stock market.



## NIPPON KANGYO KAKUMARU SECURITIES CO.

Head Office: Kabuto-cho, Tokyo, Japan Cable Address: "KANGYOSHOKEN" TOKYO Tel: 03-557-4311 Telex: 63020 KANGYOKS

London Office: Carpenters Hall, 1 Throgmorton Avenue, London EC2N 2BY Tel: 636-4821 Telex: 86221 KANGYO G

Paris Office: 20, Rue de Gramont, Paris 2<sup>e</sup>, France Tel: 742-0000 Telex: 67020 KANGYOK

Frankfurt Office: 600 Frankfurt am Main 1, Stockenheimer Landstrasse 47, F.R.G. Tel: 72 06 81 Telex: 41230 NKKS D

Nippon Kangyo Kakumaru International Inc. One State Street Plaza, New York, N.Y. 10004 Tel: (212) 248-1330 Telex: 25205 NKKS US

Nippon Kangyo Kakumaru (Asia) Ltd. Liu Chong Hing Bank Bldg., 18th Floor, 24 des Voeux Road, Central, Hong Kong Tel: 5-555466 Telex: 7423 NKKS HK

# IF YOU DEMAND RESOURCEFULNESS. GET IT.

## Consult the IBI Banking Group in Europe.

**London.**  
The Industrial Bank of Japan maintains a London Branch office which undertakes a complete range of banking services. In addition, IBI operates IBI International Limited, a wholly-owned merchant banking entity which arranges term loans and provides underwriting and advisory services.

**Frankfurt.**  
The Industrial Bank of Japan (Germany) is a majority-owned subsidiary of IBI, being jointly operated with Deutsche Bank AG. It offers full banking services with main emphasis on loan and underwriting businesses.

**Luxembourg.**  
The Industrial Bank of Japan (Luxembourg) is a wholly-owned subsidiary of The Industrial Bank of Japan (Germany) working in close cooperation with the parent company in providing medium- and long-term loans and handling securities transactions on the Euro market.

In addition IBI maintains representative offices in Frankfurt and Paris which act as information centers, providing access to the comprehensive knowledge IBI has accumulated in serving Japanese industries.



## THE INDUSTRIAL BANK OF JAPAN

Japan's oldest and largest long-term credit bank. Assets: US\$44 billion.

Head Office: 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo. Phone 214-1111 Telex J23325  
London Branch: Phone (01) 230-2351 Telex 885393 IBI International Limited: Phone (01) 230-2758  
Tel: 88-2411 Frankfurt Representative Office: Phone (0911) 230781 Telex 413132 The Industrial Bank of Japan (Germany) Phone (0611) 230781 Telex 414033 Paris Representative Office: Phone 261-55-13  
Tel: 21414 The Industrial Bank of Japan (Luxembourg) S.A. Phone 474225 Telex 1289  
New York, Los Angeles, Singapore, Sydney, Sao Paulo, Beirut, Hong Kong, Toronto, Jakarta, Curacao

## MITSUBISHI BANK

### Condensed Consolidated Balance Sheet

As of March 31, 1978

Assets	Figures shown in thousands
Cash and Due from Banks	¥ 1,231,719,589 (SE 2,980,208)
Call Loans	38,856,916 ( 94,016)
Securities	1,499,832,349 ( 3,628,919)
Loans and Bills Discounted	6,569,812,417 ( 15,895,989)
Foreign Exchanges	453,474,379 ( 1,097,204)
Other Assets	257,045,929 ( 621,935)
Bank Premises and Real Estate	150,745,471 ( 364,736)
Customers' Liabilities for Acceptances and Guarantees	1,040,197,127 ( 2,516,809)
Total Assets	¥11,241,684,277 (SE27,199,816)

Liabilities	Figures shown in thousands
Deposits	¥ 8,038,918,205 (SE 19,450,565)
Call Money	957,949,982 ( 2,317,808)
Borrowed Money	275,180,083 ( 665,812)
Foreign Exchanges	67,089,081 ( 162,325)
Other Liabilities	396,246,495 ( 958,738)
Reserve for Possible Loan Losses	86,449,694 ( 209,169)
Reserve for Retirement Allowances	40,134,844 ( 97,108)
Other Reserves	20,445,064 ( 49,468)
Minority Interests	911,485 ( 2,205)
Acceptances & Guarantees	1,040,197,127 ( 2,516,809)
Total Liabilities	¥10,923,522,060 (SE26,430,007)

Capital Funds	Figures shown in thousands
Capital (Paid-up)	¥ 89,100,000 (SE 215,582)
Legal Capital Reserve	2,950,826 ( 7,140)
Legal Earned Reserve	18,370,000 ( 44,447)
Other Surplus	207,741,391 ( 502,640)
Total Capital Funds	¥318,162,217 (SE769,809)
Total Liabilities & Capital Funds	¥11,241,684,277 (SE27,199,816)

Notes: Accounts consolidated at the Mitsubishi Bank of California (U.S.A.), Mitsubishi Bank (Europe) S.A. and Banco Mitsubishi Brasileiro S.A. Mitsubishi International Finance Limited (Hong Kong). Exchange Rate: ¥113.30 per SE cent rate on March 31, 1978.

**HEAD OFFICE:**  
1-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo,  
100 Tel: (03) 211-8111  
Cable Address: BANKMITSUBISHI TOKYO  
Telex: J23325, J23326

**DOMESTIC BRANCHES:**  
135 branches throughout Japan

**OVERSEAS OFFICES:**

New York Branch

One World Trade Center, Suite 5027, New York, N.Y. 10048, U.S.A. Tel: 212-453-6100

Los Angeles Branch

800 Wilshire Boulevard, Los Angeles, California 90017, U.S.A. Tel: 213-621-1200

London Branch

115 South LaSalle Street, Suite 2100, Chicago, Illinois 60603, U.S.A. Tel: 312-283-2332

Telex: 0255267

Toronto Representative Office

Commerce Court West, Suite 2050, Toronto, Ontario, Canada Tel: 416-368-4616

Telex: 0622748

Sao Paulo Representative Office

Rua Libero Badur 633/641, São Paulo, 01008, Brazil Tel: 239-5244 Telex: 1121854

Caracas Representative Office

Edificio Centro Plaza, Torre "A", Piso 13, Avenida Francisco De Miranda, Los Polos Grandes, Caracas, Venezuela

Telex: 0255267, 0874214

Chicago Branch

115 South LaSalle Street, Suite 2100, Chicago, Illinois 60603, U.S.A. Tel: 312-283-2332

Telex: 0255267

Toronto Representative Office

Commerce Court West, Suite 2050, Toronto, Ontario, Canada Tel: 416-368-4616

Telex: 0622748

Sao Paulo Representative Office

Rua Libero Badur 633/641, São Paulo, 01008, Brazil Tel: 239-5244 Telex: 1121854

Caracas Representative Office

Edificio Centro Plaza, Torre "A", Piso 13, Avenida Francisco De Miranda, Los Polos Grandes, Caracas, Venezuela

Telex: 0255267, 0874214

London Branch

115 South LaSalle Street, Suite 2100, Chicago, Illinois 60603, U.S.A. Tel: 312-283-2332

Telex: 0255267

Toronto Representative Office

Commerce Court West, Suite 2050, Toronto, Ontario, Canada Tel: 416-368-4616

Telex: 0622748

Sao Paulo Representative Office

Rua Libero Badur 633/641, São Paulo, 01008, Brazil Tel: 239-5244 Telex: 1121854

Caracas Representative Office

Edificio Centro Plaza, Torre "A", Piso 13, Avenida Francisco De Miranda, Los Polos Grandes, Caracas, Venezuela

Telex: 0255267, 0874214

Chicago Branch

115 South LaSalle Street, Suite 2100, Chicago, Illinois 60603, U.S.A. Tel: 312-283-2332

Telex: 0255267

Toronto Representative Office

Commerce Court West, Suite 2050, Toronto, Ontario, Canada Tel: 416-368-4616

Telex: 0622748

Sao Paulo Representative Office

Rua Libero Badur 633/641, São Paulo, 01008, Brazil Tel: 239-5244 Telex: 1121854

Caracas Representative Office

Edificio Centro Plaza, Torre "A", Piso 13, Avenida Francisco De Miranda, Los Polos Grandes, Caracas, Venezuela

Telex: 0255267, 0874214

London Branch

115 South LaSalle Street, Suite 2100, Chicago, Illinois 60603, U.S.A. Tel: 312-283-2332

Telex: 0255267

Toronto Representative Office

Commerce Court West, Suite 2050, Toronto, Ontario, Canada Tel: 416-368-4616

Telex: 0622748

Since 1890

We've been  
the first  
Western-style  
hotel  
in Japan.

We're still the finest.

"You can feel the tradition in the air."

At the heart of things in Tokyo  
IMPERIAL HOTEL, TOKYO

Contact Steigenberger Reservation Service in London (01-987-0476/7). Or Imperial Hotel (Tokyo) Bureau de Liaison-Paris (856-2789)  
Tlx: 660636 IMPHO F. Or any Japan Air Lines office in your locale.

## CREATIVE TRADE IN ACTION

The Marubeni Group in Europe and the Middle East

**LONDON**  
Tel: 01-407-8300 Telex: 883533

**DUBLIN**  
Tel: 720375 Telex: 31015

**DÜSSELDORF**  
Tel: (0211) 36-71-1 Telex: 8581928

**HAMBURG**  
Tel: (40) 35-13-81 Telex: 8212779

**ZÜRICH**  
Tel: (01) 2118225 Telex: 87838

**MÜNCHEN**  
Tel: 221603 Telex: 822161

**BRUXELLES**  
Tel: (02) 648-55-20 Telex: 21615

**CLUSES**  
Tel: (50) 88-33-34 Telex: 385-603

**ROTTERDAM**  
Tel: (010) 112650 Telex: 34464

**PARIS**  
Tel: 261-84-84 Telex: 210801

**MILAN**  
Tel: 668547 Telex: 31307

**MADRID**  
Tel: 250-4283 Telex: 27229

**LISBOA**  
Tel: 556495 Telex: 16536

**LAS PALMAS**  
Tel: 266812 Telex: 95227

**BARCELONA**  
Tel: 2590460 Telex: 81823

**STOCKHOLM**  
Tel: 24-57-25 Telex: 17223

**OSLO**  
Tel: 41-45-55 Telex: 19355

**HELSINKI**  
Tel: 665806 Telex: 122391

**ATHENS**  
Tel: 5241-522 Telex: 218230

Creative trade means going beyond traditional import-export transactions. By backing major development projects around the world, Marubeni is initiating new trade flows, equalizing the distribution of resources and technology, and trying to raise living standards for all.

At your service with 125 offices in 75 countries  
**Marubeni**

# Tough competition facing industry

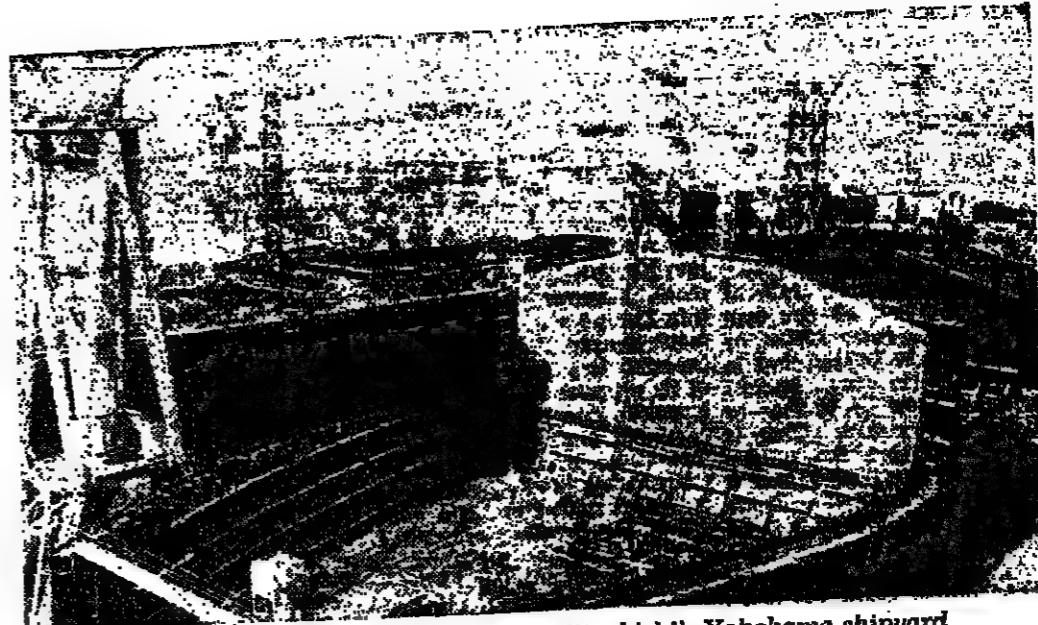
BY 1985 Japan's heavy industries will face tough competition from neighbouring South Korea, Taiwan and Singapore. But some Japanese steelmen say the real losers in the battle with the "semi-developed countries" will be the Europeans and not the Japanese. These developing countries have achieved their success by learning to act like the Japanese. They are too small and still too far behind technologically to replace Japan. They will take a market share from the Europeans who have not yet learned the same organising skills.

The Japanese are confident that in 1985 they will still dominate the world steel trade and remain the number one shipbuilder. They will lose their market share in shipbuilding but that will be more than compensated for by increasing plant and equipment exports.

Japan's heavy industries certainly have problems. Of 63 Japanese builders of ocean-going vessels 12 have entered bankruptcy reorganisation since the beginning of 1977. The sixth and seventh largest companies, Sasebo Heavy Industries and Hakodate Dock, are surviving through rescue operations mounted by their affiliates and major banks. One banker said Japan's shipbuilders in the 1980s will need only one-third the manpower that they had at their peak in 1974.

As many as half the ocean-going shipbuilding companies may disappear through merger and their accumulated losses may drag a few regional banks into difficulties too. But no-one believes that this will destroy the shipbuilding industry. None of the 33 largest companies comprising the Japan Shipbuilders' Association. Since the top five shipbuilders alone built 70 per cent of the ocean-going ships in Japan before the oil crisis, it is easy to see that the bankrupt companies are marginal.

All Japan's industries are much more flexible than they look. Marginal shipbuilders have been embarrassed so far to find that when they seek "voluntary retirements" from their staff they get more volunteers than they wanted. Because salaries in any Japanese company depend on the company's success, workers in companies with bleak prospects often prefer to quit when offered the incentive of a larger-than-usual retirement allowance. They can easily find jobs in other industries though not in the best—though not in the best—companies where lifetime employment really does mean continuous employment from



Two tankers under construction at Mitsubishi's Yokohama shipyard.

leaving school to the normal retirement age.

Even the apparently dangerous financial condition of Japan's heavy industries is not as serious as it seems. For shipbuilders, for instance, the construction of only ten ships is enough to pay for the cost of a giant tanker-building dock. Since all Japan's shipbuilders entered 1974 with full order books and most have avoided new investments since then, their major capital facilities are already paid for.

### Reluctant

The major problem now is working capital. Banks are reluctant to provide it for companies whose products are surplus but the amounts needed are relatively small. The banks will provide as the Government implements its "reorganisation plan" which calls for the co-ordinated scrapping of 35 per cent of the industry's capacity. The Japanese predict that will equalise supply and demand some time in the early 1980s.

In other types of heavy industry the long-term outlook is quite bright, though no-one is making any long-term demand projections. Much of today's over-capacity was caused by now-excessed wages in Japan over-optimistic projections by business and government in 1974. But few really believe anyone else will be able to undercut Japan's prices in steel and few doubt that Japan will continue to surpass the West in price and quality of industrial plants.

Even if the advanced countries depend more on their own steel production than in the past the markets of the developing world will still be available and growing. In the

past developing countries have often made grandiose plans to build their own integrated steel mills. But few have gone through with it because of the expense of constructing anything that complex in nations where the average labourer has not received the discipline of a decent education.

Why are Japan's heavy industries so much more efficient than anyone else's? Four reasons deserve mention.

The Japanese ownership and employment systems make regular employees of key companies feel that their companies are their own. Big Japanese companies own each other in a complex system of cross-ownership that effectively insulates them from pressures of outside owners. Managers pledge that to the extent that their company succeeds regular employees will get guaranteed employment, better salaries and better working conditions.

Employees have much more incentive to work as a team than Western workers who suspect they may be fired to preserve the interests of the stockholders. They have no reason to object when companies use low-wage sub-contractors. Though average wages in Japan now exceed those in Europe, marginal labour for a Japanese contractor can often cost less than for its European counterpart.

Japan's financial system ensures that companies can get the capital needed for efficient investment. Each company has a "main bank" which in return for most of the company's deposit and money transfer business keeps track of the company's financial situation and provides the necessary money

if no one else will. If the bank finances a stupid investment it may lose much of its money—as the banks financing medium-sized shipbuilders which continued expanding in 1974 are likely to learn.

But the Government considerably limits the risk that losses might be caused by too many people following the same good advice. In times of over-capacity the Government organises cartels to keep prices up and carefully guides companies towards scrapping their least efficient equipment.

Government officials dealing with heavy industry are among the most intelligent people in the country. They understand industry's needs well. Officials are often several steps ahead of private company men in understanding new technologies and new market conditions. Thus they enable Japanese industry to respond more quickly and more effectively to world changes.

Japan's trading companies are probably the world's best assemblers of consortia and technology transfer agents. Other countries have allowed heavy industrial sales and services to become a specialised function within giant manufacturing companies. Thus their salesmen are mainly concerned with promoting their own companies' goods.

But Japan has developed very large companies that specialise in trading. They can often direct orders to companies that would otherwise be too small to survive in heavy industries on their own but are just the right size for some types of heavy industrial production.

Robert Wood

## Labour system has few weaknesses

DESPITE PLENTY of talk and dire predictions, a quarter-century of rapid growth and change has only slightly altered the employment system Japan evolved after World War II. The years to 1985 will be no different.

The reason is that the Japanese labour system is extraordinarily efficient and deals realistically with the needs and tensions of modern industry. No one would say it is completely just, but it also produces less inequality than any of the Western systems the Japanese have occasionally considering adopting.

The next seven years will bring significant adjustments. Japan's labour force is ageing. Seniority promotions will become slower and less dependable. This may cause some weakening of the "lifetime" employment system in large companies because the temptation for young people to switch jobs will increase. But neither Government officials, businessmen, nor most unionists expect Japan's labour system to change fundamentally.

### Bizarre

The system often seems bizarre and incredible to Westerners. Most Western reports focus exclusively on the system in large companies. The system is multi-layered, however, and the large companies cannot be understood unless small companies are understood too.

Large companies have power, and they treat their workers in ways that seem very generous. But for many functions they depend on smaller companies that pay less, often have much inferior working conditions and

give their workers much less security.

Many prosperous big companies rigorously obey the ideal of "lifetime employment." They hire employees straight from school and promote them on the basis of seniority up to age 35 or so. After that "merit" plays an increasing role. Retirement is usually 55 or slightly later, and retirees almost always take another job. Thus "lifetime" employment is to some extent a misnomer even where the system is rigorously obeyed.

The young receive quite low wages when they first join a company—about ¥100,000 (\$500) a month for college graduates today plus a biannual bonus. But if the company succeeds, seniority-based wage increases in big companies are traditionally big enough to ensure that even very talented people are soon earning more than they could at smaller companies.

Less successful companies, on the other hand, have often resorted to "dispatching" some employees to major subcontractors to reduce costs or simply to get rid of people who were considered a drag on the company's productivity. "Dispatching" to subcontractors is always done in consultation with the company union. It has been particularly common during the current recession, and one of the most difficult questions about the Japanese labour market in 1985 is whether "dispatching" will grow or decline.

Employees of big companies have good reason to work hard as a team. As a group their future is guaranteed to the extent that their company succeeds. They could accomplish little with disruptive strikes. Their companies hire marginal

labour from and subcontract all kinds of operations to the smaller companies. Otherwise they could not give themselves the flexibility to guarantee "lifetime" employment to regular employees in good times and bad. The big company members have no reason to object to subcontracting, and little reason to object to low wages for subcontract workers because anything that makes their company richer ultimately makes them richer.

### Concerned

Union organisers in small companies say that big company men—including big company union members—are often more concerned with preventing the growth of unions at small companies than with aiding them. Some big company men admit this is true.

In smaller companies labour relationships are much more like Western labour relationships. Some small companies are owned by entrepreneurs; some are subsidiaries of larger companies. Some employees are union activists; most are apathetic. But unions at small companies are very weak compared to unions in the West. Almost all small companies are expendable. If they struck, the big companies could either do their work with their own regular employees or find another subcontractor.

The dualism between big and small companies does not mean, however, that a vast gulf exists between rich and poor. In fact Japan has few citizens who would be called rich in the West and few who would be called poor. By 1985 the baby-boom men in Simple supply and demand is big companies will reach the best explanation. A big age when graduates of

all Japanese company can get extra labour through subcontractors at a competitive price when most Western companies would have to pay a union price. The Japanese company has incentive to use more subcontractors than if all workers received a union wage.

Small subcontract metal-working shops are as common in many Tokyo neighbourhoods as rice shops. But because Japanese companies subcontract so much labour to small competitive companies, they bid the price of non-union labour up higher than it would otherwise be.

Even at the bottom of the current recession—Japan's worst since World War II—it was possible for semi-alcoholic day labourers in Yokohama to find companies willing to hire them permanently at monthly salaries of ¥150,000 to ¥200,000 (\$750 to \$1,000).

These companies do not maintain "lifetime" employment in the strict sense. Many try. But wages for even senior workers in small companies seldom rise much above the wages workers could get at other rival companies, and it is not unusual for workers to change jobs.

The system is efficient because it encourages teamwork in the big companies and the efficient use of marginal labour through the small companies. The biggest challenge it faces over the next decade will be that a vast gulf exists between rich and poor. In fact Japan has few citizens who would be called rich in the West and few who would be called poor. By 1985 the baby-boom men in Simple supply and demand is big companies will reach the best explanation. A big age when graduates of

CONTINUED ON NEXT PAGE

# Planning for the industrial future

THE SHAPING of Japan's industrial structure, each one covering a decade, has been a decade. In addition to these it has been carried out under the wing of the powerful Ministry of International Trade and Industry (MITI) since the early days of the post-war economic miracle. The process is still going on today but the nature of the operation has changed since the 1973 oil crisis—becoming simultaneously more crucial and more difficult than in the old high growth era.

It is more crucial because the impact of slower growth and a new energy price structure on the Japanese economy has created a situation in which some industries have taken on the appearance of pre-historic monsters—no longer able to survive in the harsh post-1973 world economic climate. Draw-up plans for the restructuring of industry on the other hand has also become more difficult because far more calculations enter into the process today than in the relatively simple era of the 1960s, when the only obstacle to rapid Japanese economic growth appeared to be occasional shortages of foreign exchange caused by too rapid increases in imports.

Like many other branches of economic activity in Japan the restructuring of industry is tackled on a partnership basis by the Government and the private sector. The best known, and probably most important, share on the assumption that all entities involved in the industrial structure Council, a body composed of senior businessmen, produced by the Industrial Structure Council came out in 1970 and took as its theme the development of "knowledge industries"—that is industries which would provide a higher input of added value and same quantity of imported raw materials and thus reduce the supervisory council with a number of sub-committees. The secretariat for the Council is the Industrial Structure section of MITI's Industrial Policy Bureau. In other words the MITI bureaucrats do most of the paperwork while the Council members function somewhat as a board of directors. In the past 15 years the Council has come up with two major long-term plans for Japan's industrial

## Infallible

The process was an infallible one since, throughout the 1960s, successful Japanese companies were preoccupied with market share rather than with the restructuring of industry in accordance with MITI guidelines by the Government and the private sector. The best known, and probably most important, share on the assumption that all entities involved in the industrial structure Council, a body composed of senior businessmen, produced by the Industrial Structure Council came out in 1970 and took as its theme the development of "knowledge industries"—that is industries which would provide a higher input of added value and same quantity of imported raw materials and thus reduce the supervisory council with a number of sub-committees. The secretariat for the Council is the Industrial Structure section of MITI's Industrial Policy Bureau. In other words the MITI bureaucrats do most of the paperwork while the Council members function somewhat as a board of directors. In the past 15 years the Council has come up with two major long-term plans for Japan's industrial

knowledge industries by diversifying away from standard products into special lines of activity that would increase added value. Such industries, however, in fact continued to raise their conventional manufacturing capacity under MITI guidance and with the maintenance or increase of market share as their guiding principle until the oil crisis brought Japanese industry to its senses with a shock.

MITI's reaction to the oil crisis was to adopt a radically new approach to economic planning based on the concept of bottlenecks or limits in the availability of resources. The Industrial Structure Council identified eight possible areas in which growth might be squeezed by shortages (they included land, water, energy, natural resources, labour and the balance of payments).

It concluded that energy was the only area in which shortages were likely and accordingly drew up a "Vision" of Japanese growth over a ten year period based on the assumption that Japan would be able to obtain 760m kilolitres of energy (oil plus other sources of energy measured in terms of oil) by 1985. The first edition of "Vision" published in the summer of 1974 contained detailed projections for the main sectors of the Japanese economy over a ten year period which were revised in two subsequent editions (1975 and 1976).

The 1977 edition of the MITI "Vision" is a less confident sounding document than its predecessors. The annual exercise of updating the figures was shelved, apparently because officials felt the exercise was "no longer useful." Instead the document dwells at some length on the "increasingly complex" situation surrounding Japan's economy, which is attributed in part to the fact that the economic behaviour of other nations no longer seems to be governed by purely economic criteria. The 1977 document also emphasises the phasing out or substantial running down of capacity in several major industries as being a crucial post-oil crisis problem for Japan. It

warns that mishandling of this could cause the economy to collapse into a new recession.

MITI's answer to the question of what to do about Japan's seriously sick industries appeared this spring in the shape of the ponderously named Bill Concerning Extraordinary Measures for Specific Depressed Industries, which was voted into law by the Diet in May. The Bill provides for the Government to designate "candidate" industries for a special slimming process which would include the receipt of grants from the (state owned) Japan Development Bank and the setting of capacity scrapping targets (either voluntarily by industry itself or under guidance from the Government). The industries which figure in the plan (with the percentages of total capacity proposed to be scrapped) are: aluminium (24 per cent); open hearth and electric furnace steelmaking (15-16 per cent); chemical fertilisers (15-30 per cent); and shipbuilding (a responsibility of the Ministry of Finance, not of MITI but reportedly due for a 35 per cent cut).

## Voluntarily

MITI insists that the cut will be made voluntarily not compulsorily. Outsiders wonder whether the attempt to legislate production scrapping will work but point out that it will happen anyway sooner or later under compulsion from the major banks who are expected to refuse to lend money to companies in structural recessed industries which try to keep their capacity intact. A point on which MITI and its critics do not disagree is that capacity cuts preferably be made quickly and that capacity should be reduced to a level where the industries concerned (allowing for a slight upturn in business over the next two or three years) might be working at "normal capacity" by around 1983.

Having tackled the problem of what to do about the structurally depressed industries, MITI now faces the question of how to view the future. The Ministry admits to be thinking about a plan for the 1980s but officials are reticent about its contents. One theme which does seem likely in the plan is the need for a start to be made on planning the development of technology in the way it was formerly possible to plan the growth of industry.

Wherever else the Japanese economy goes in the 1980s it will be in the direction of high technology industries, several of which will challenge the most advanced sectors in the U.S. and Europe. The rate at which the economy grows and its overall visibility may thus depend more on the speed of technological change than the amounts of money that Japanese companies sink into new production facilities.

MITI's awareness of this fact could lead it to make a bid for a new role as the overall coordinator and planner of Japan's technological development. An attempt to assume this role would lead to an inter-departmental clash with the Science and Technology Agency, which currently has general responsibility for nuclear technology. This does not alter the fact that planning of technological development could be the crucial kind of planning for Japan during the 1980s.

R.W.

C.S.

If expertise in securities is money, Yamaichi is worth fortunes.

With 80 years experience, Yamaichi is one of Japan's foremost securities firms, providing the complete expertise you require to maximize opportunities in the securities field.

With the yen becoming an increasingly stable international currency, our brokerage business on behalf of foreign clients in Japan has enjoyed unprecedented success. Success that can be attributed directly to our position of leadership among Japanese securities companies. Success that makes us your ideal partner in all aspects of the securities business: underwriting, brokerage, distribution, dealing, research, and investment banking.

Yamaichi's offices on four continents are linked by a 24-hour-a-day "hotline" which gives our international clients immediate access to data pertinent to their needs—up-to-the-minute stock quotations, economic and industrial studies, corporate evaluations, and investment and bond market analyses.

If you're looking for expertise in securities, consult Yamaichi. In Japan and throughout the world, we have the know-how necessary to offer you immediate and comprehensive assistance with your investment requirements.

Uncommon vision in international finance.



**YAMAICHI**

YAMAICHI SECURITIES CO., LTD.

Head Office: 4-1, Yamauchi-chome, Chuo-ku, Tokyo 104, Japan

Telex: 222305 Tel: 273-5111

Paris Office: 23, rue de la Paix, Paris 2e, France Telex: 680966 Tel: 01-366 32 40 Zurich Office: Tödistrasse 17, 8002 Zurich, Switzerland Telex: 59231 S Tel: 01-202 84 84 Yamaichi International (Europe) Limited: 12th Floor, 25, Abchurch Lane, London EC4N 3AB, U.K. Tel: 01-628 2271 Yamaichi International (Deutschland) GmbH: 6000 Frankfurt am Main, Bockenheimer Landstrasse 91-93, Rhein-Main-Conting, 4 Stages, F.R.G. Telex: 4-4996, 4-16677 Tel: 0611-717351 Yamaichi International (Netherlands) N.V.: Frederiksplein 1, Amsterdam, The Netherlands Telex: 17772 Tel: 020-543455

New York, Los Angeles, Chicago, Montreal, São Paulo, Hong Kong, Singapore, Bangkok, Seoul

## Labour

CONTINUED FROM PREVIOUS PAGE

the past decade expected automatic promotion at least to assistant section chief. But if they are all promoted they will have few subordinates to boss around. Japan has 30 per cent fewer 20-year-olds today than 30-year-olds.

Elderly retirees are another problem group. While in the past the elderly were few and those who needed jobs could usually find them as apartment superintendents, cleaning men, etc., Japanese fear that as they live longer, the supply of the elderly workers will outrun the demand.

In the current recession there is a severe shortage of jobs for them. If anyone is a ruined victim of the Japanese employment system, it is people who reach their company's retirement age during a recession. Jobs available for the elderly now pay as little as ¥70,000 (US\$50) a month, which with Japan's high prices is a poor wage indeed.

Officials and businessmen say many of today's 30-year-old men

in big companies will get their promotion much later than they would like, and some will not get it at all. Potentially more significant, some companies are considering abolishing seniority wage increases for anyone over 40.

The situation will become even more complicated if recovery from the recession produces a new shortage of young workers—as is almost certain. For now the Labour Ministry is too busy dealing with the problems of recession to think about any possible labour shortage. A recovery could on the one hand give companies more money with which to continue paying seniority increments, but on the other, force companies to narrow the gap between old and young in order to attract and keep young staff.

Whatever happens, however, few large Japanese companies will implement any policies without first convincing their unions that the policies serve

the interest of the company as a whole. Big Japanese companies own each other. Commonly a company owns stock in its main banks and the banks own stock in the company. Companies are thus almost completely isolated from pressure by investor stockholders and can afford to put high priority on maintaining a smooth relationship with their unions.

As for the elderly, the Labour Ministry is already trying to convince companies that they should raise their retirement age to at least 60. At 60, people who have been enrolled for 30 years become eligible for the Government's welfare pension scheme. This would not eliminate the phenomenon of people seeking second jobs after retirement, but coupled with gradual improvements in pensions it would keep the demand for post-retirement jobs to a level consistent with the supply.

R.W.

C.S.

## We Care

Moving things efficiently round the world means more than a lot of ships and space. To Showa Line it means a large measure of care and consideration to every customer's wishes and for every type of product, whether it is a Ming vase or a milling machine. Through our many type of containers on the backs of some of the most modern container ships Showa serves the world. We care about the important things that will ultimately give the customer the kind of service that will enable his products to reach their market faster, easier, safer. Call Showa when you consider your company's products deserve an extra measure of care.



**SHOWA LINE**

Head Office: Muromachi Bldg., 1, Muromachi 4-chome, Nishonbashi, Chuo-ku, Tokyo 103, Japan Tel: (03) 270-7211 Telex: 222310  
Representative Offices: London, Vancouver, Seattle, San Francisco, Los Angeles, Chicago, New York, Hong Kong and Tehran

THINKING LONG TERM? COME TO THE SPECIALISTS. Come to the Long-Term Credit Bank of Japan.

Whatever the size of your project, whatever the scope of your ambitions, come to the Long-Term Credit Bank.

As one of Japan's leading long-term credit banks, with assets exceeding US\$34 billion, a long-established and extensive international network, and excellent relations with major Japanese companies, we are in a good position to help and advise you.

You'll find our staff of international financial experts helpful, courteous and cooperative. Because we are an independent bank with no major financial affiliations, we can offer you just the kind of comprehensive and unprejudiced information you will need for business with Japan.

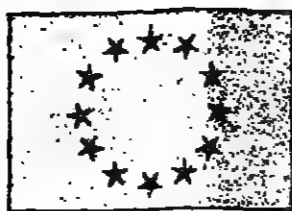
Coming to terms with the LTCB is one of the best ways there is of coming to terms with Japan.

In the long term, the best choice

**THE LONG-TERM CREDIT BANK OF JAPAN, LTD.**

Head Office: Otemachi, Tokyo, Japan Tel: 211-5111 Telex: 324308 New York Branch: 140 Broadway, New York, N.Y. 10005, U.S.A. Tel: 797-1170 Telex: 425722 London Branch: 3 Lombard Street, London EC3V 3AH, U.K. Tel: 603-0511 Telex: 825505  
Los Angeles Agency: 707 Wilshire Boulevard, Los Angeles, California 90017, U.S.A. Tel: 488-1766 Telex: 673518  
Amsterdam, Sydney, São Paulo, Singapore, Frankfurt, Paris, Hong Kong, Brussels

FOR



EUROPE



JAPAN

THINK



Bayerische Vereinsbank, one of Germany's  
and Europe's major banks, your experienced partner,  
for business relations with Japan.

#### Bayerische Vereinsbank Tokyo Branch

Togin Building, 1-4-2, Marunouchi  
Chiyoda-ku, Tokyo 100  
Telephone: (03) 284-1341, Telex: j26351 bvtyo

#### Bayerische Vereinsbank Head Office Munich International Division

Kardinal-Faulhaber-Strasse 1  
Telephone: (089) 21 32-1, Telex: 52 33 21 bvmd  
SWIFT-Address: BVBE DE MM

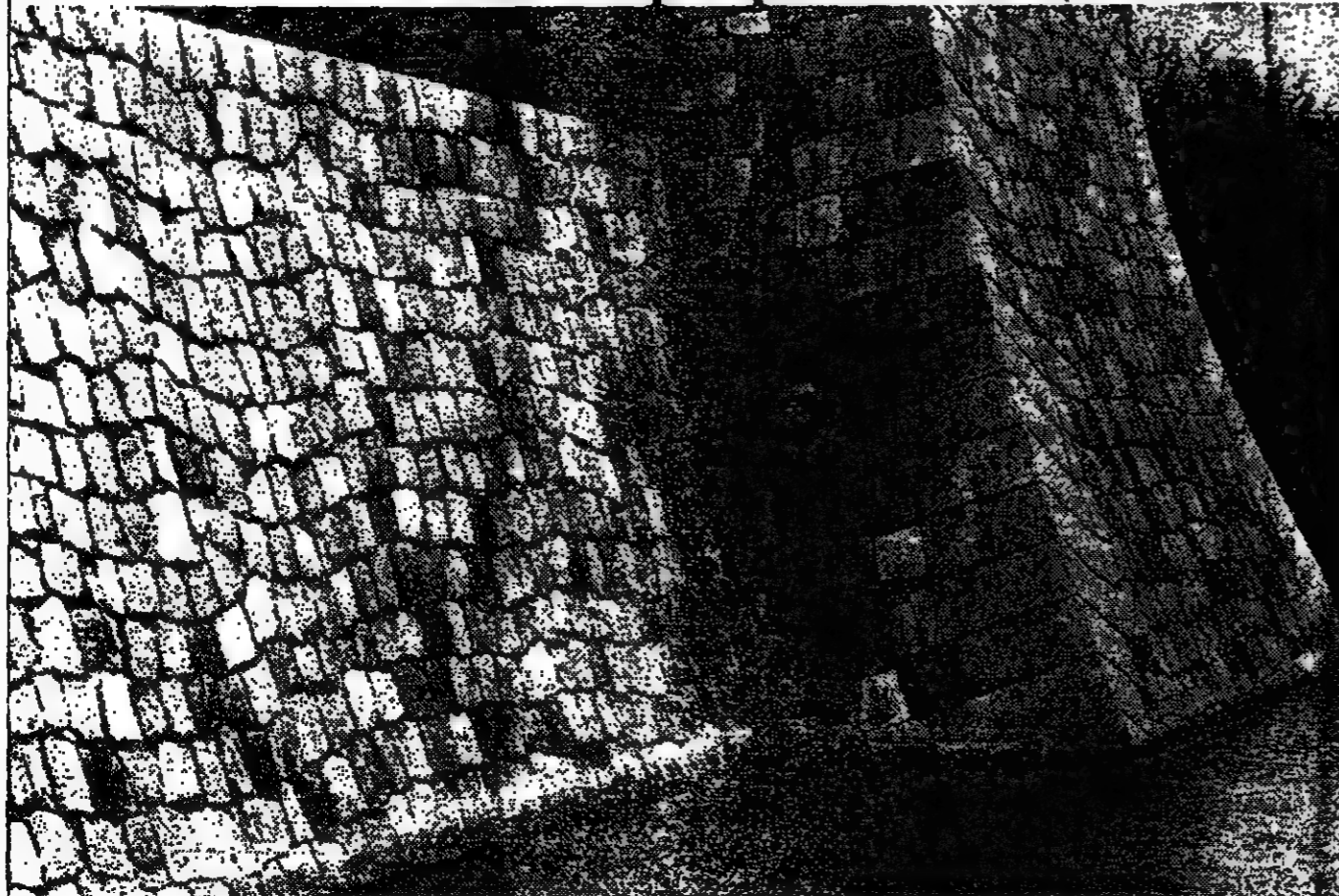


**BAYERISCHE  
VEREINSBANK**

INCORPORATING BAYERISCHE STAATSBANK AG

# Synergetic Solutions

How "sogo shosha"  
help expedite world trade.



Nijo Castle, Kyoto. Built in 1603 as the Kyoto residence of the Tokugawa Shoguns.

Synergy—the augmented strength of systems,  
which is greater than the added total of its in-  
dividual units, illustrated by the stone founda-  
tion wall Nijo Castle, which continues to  
support the massive structure above without  
benefit of mortar or cement.

Sogo shosha—Japanese general trading com-  
panies, traders who do more than trade.

Nissho-Iwai, drawing upon its many years  
of experience, masters the complex procedures  
of foreign trade in every imaginable product  
line. We work through a network of 160 over-  
seas offices and a sophisticated electronic com-  
munications system.

We can raise large sums of capital and enlist  
the cooperation of companies in any field, en-  
abling us to organize large-scale projects beyond  
the capacity of any single corporation.

And most important of all is our willingness  
to think in long-range terms and to engage in  
such wide-ranging activities as offshore trade,  
basic resource development, long-term financ-  
ing, technical cooperation, and a wide variety  
of joint ventures all over the world.

For synergetic solutions to your trading  
problems, contact our nearest office or rep-  
resentative.



The action-oriented world trader  
**NISSHO-IWAI**  
Tokyo Head Office: Akasaka, Minato-ku, Tokyo, Japan  
Osaka Head Office: Nishi-ku, Hyogo-ken, Osaka, Japan

#### LONDON BRANCH

Beaton House, 140 London Wall, EC2Y 5JT, England Tel: 626-6050 (Area Code 01) Telex: 855881—4 Cable Add: NISSHOIWA LONDON EC2  
Other Overseas Offices in Hamburg, Düsseldorf, Paris, Milan, Wien, New York, Chicago, San Francisco, Los Angeles, Vancouver, Toronto, Montreal, Rio de Janeiro,  
Sydney, Melbourne, Hong Kong, Singapore, Tehran, Lagos and more than 100 other major cities all over the world.

## JAPAN X

# New thinking on energy supplies

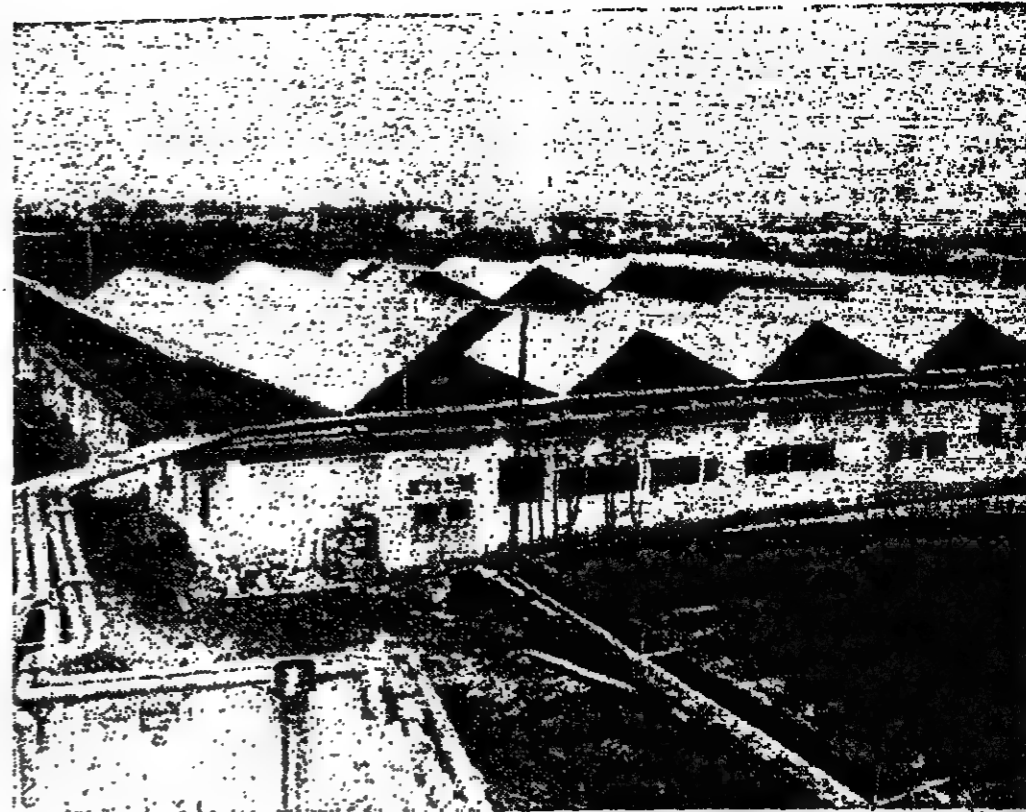
JAPAN'S ATTITUDE to the problem of energy supplies, like its economic performance generally, has undergone a series of violent changes during the past few years. At the start of the 1960s the Government decided to base the nation's energy policy on imported oil and accordingly undertook the difficult and unpopular task of phasing out the domestic coal mining industry as the main energy provider. Japan remained committed to oil—and apparently unaware of the dangers of its overwhelming dependence on one energy source—until the early 1970s by which time it had become the world's biggest crude oil importer (and the second largest overall consumer of energy after the U.S.).

The 1973 oil crisis produced a fundamental change of attitude: the initial reaction was that economic growth would have to be drastically curtailed if Japan was not to outgrow available sources of energy and face a situation amounting to national economic disaster. Five years after the oil crisis the consensus appears to be that energy constraints are less serious than was at first believed and not likely to put a direct break on economic growth over the next seven or eight years. Dependence on imported oil, however, is still seen as a grave economic and strategic weakness for Japan and the main thrust of energy policy is aimed at reducing this dependence.

### Forecast

Japan's energy consumption in 1975 (the "base year" for most current official planning in the energy field) was equivalent to 390m kilolitres of crude oil, out of which 286m kilolitres, or 73 per cent, was imported oil. The forecast for 1985 is that, if the economy grows at about 6 per cent per year, and if energy consumption increases at a marginally slower rate than GNP, Japan will require 740m kilolitres of energy (in terms of oil equivalent) to supply "normal" needs of industry and the general public. This figure comes down to 700m kilolitres when allowance is made for the probable effects of various oil conservation measures which are currently in operation.

In order to supply this much energy—again assuming that no drastic new measures are undertaken to introduce new sources of supply or increase existing ones—the Government estimates that more than 500m kilolitres of crude oil would



The Ashtaka home for old people in Numatsu uses solar energy as a heating source.

have to be imported—an increase of 74 per cent on actual imports of crude oil in 1975. There appears to be little doubt that Japan could afford to buy this much oil by the mid-80s. Rough calculations of the probable growth rate of Japanese imports and exports over the next eight years yield the conclusion that a "natural rate"

of energy consumption. Because of this the Ministry of International Trade and Industry (which masterminds energy policy through a subsidiary entity, the Agency for Natural Resources and Energy) has come up with a revised plan for 1985 which substantially reduces proposed dependence on oil imports.

The first assumption in the revised plan (published in June, 1977) is that Japan should attempt to step up oil conservation during the next eight years so as to reduce consumption by 10.8 per cent from "pre-conservation" levels instead of by the originally anticipated figure of 5.5 per cent. Oil conservation is relatively difficult for Japan since consumption is weighted heavily towards industry (40 per cent of the total), which is already fairly efficient in its energy consumption, and only 12 per cent towards domestic use, the area in which energy economies are normally easiest to achieve.

The average Japanese household is in fact relatively sparing in its energy consumption using only one-sixth of the energy used by a typical American household. MITI, however, thinks that there is scope for further economies in both industry and home use. It plans to submit an energy conservation

promotion law to the next session of the Diet, which will, among other things, make the insulation of new houses compulsory up to specified standards. If the conservation programme works out, total energy consumption by 1985 would be cut back to 660m kilolitres from the estimated "natural" level of 700m kilolitres.

The more significant part of the MITI plan involves an attempted shift in the pattern of energy consumption within the revised total of 660m kilolitres. In order to achieve this MITI hopes to develop three main "alternative" energy sources over the next eight years at a substantially faster rate than had earlier been planned. The three sources are nuclear power where the production target for the mid-1980s is 33m kW or 7.4 per cent of total energy needs, LNG (production target 30m tons, contributing 6.4 per cent consumption) and coal (18m tons and 12.4 per cent).

### Reduce

The promotion of these three energy sources would reduce Japan's dependence on imported oil to 65.5 per cent of its total energy needs (compared with 73.2 per cent on the assumption of "natural" growth). It would cut back the figure for crude oil imports from 305m kilolitres to 432m kilolitres. This would be an impressive achievement but doubts exist as to whether MITI can really bring about the increases in alternative energy production that it has in mind.

Of three fields, two, LNG and coal, involve investment in resources outside Japan on a fairly massive scale. An increase in coal consumption would also involve the building of coal burning power stations within the country, and at least one major coal import terminal. Nuclear power is the energy source in which the longest time lag appears to exist between the planning and execution of projects because of the time required in Japan to gain public acceptance for the siting of power stations. Because of this most independent observers feel that nuclear power generation in 1985 may not rise much above 26m kW, or roughly what would result from the completion of power stations whose construction has already been agreed.

Whether or not MITI does manage to reduce Japan's imported oil dependence to the extent it plans, the strategy appears to have been firmly set—and some progressive shift in the pattern of Japanese energy consumption can be expected over the next decade or more. The crucial question, which admittedly relates mainly to the period beyond 1985, is whether the shift will be fast enough. Most Japanese analysts see world oil production stagnating or turning downwards from the 1980s onwards—at least a decade before Japan expects its research on fundamentally new sources of energy to start producing significant results.

The 1980s will be the decade of the gap, according to Japanese forecasters, with a great deal depending on whether nuclear power has been made safe enough and acceptable enough to take over as major energy sources by that time. The only answer to the question of whether Japan will or will not be able to cope with its energy problems in the final decade of the century is nobody knows.

# Search for oil continues

JAPAN IS stuck with oil as its main energy source for the foreseeable future. This being the case Government policy is to reduce the nation's dependence on the open market for crude oil and to build up supplies over which the nation expects to exercise a certain measure of control. The policy has been only moderately successful to date, mainly because of the very meagre success of oil exploration ventures carried out by Japanese companies in various parts of the world. Things could change, however, if there are important oil finds during the next few years in the East China Sea, an area whose jurisdiction is divided between China, Japan and Korea and whose potential oil-bearing capacity (admittedly mainly on the Chinese side) is believed by some geologists to be larger than the existing proved reserves of Saudi Arabia.

Japan's oil imports are currently running at a level of about 275m kilolitres per year, with 80 per cent of the total coming from the Middle East (mainly Saudi Arabia and Iran) and another 16 per cent from Indonesia. The bulk of the oil is brought into the country by international majors or by Japanese trading companies, who buy oil on the open market. A small portion (at present about 13 per cent) belongs to the category of "policy oil" which the Government is attempting to encourage. Policy oil is defined to include oil produced by Japanese companies overseas or brought under direct deal or government-to-government agreements (both of which are considered to be potentially slightly more secure sources of supply). The Government would like to

increase the ratio of policy oil to total imports to 30 per cent by 1990. This is a downward revision of its earlier target, which called for 30 per cent of Japan's oil imports to come from sources directly under the control of Japanese capital.

The oldest and most successful of Japan's overseas oil production ventures is the Arabian Oil Company, which operates in the zone between Kuwait and Saudi Arabia and supplies 3-6 per cent of total imports. The newer generation of overseas oil production ventures includes a series of relatively small operations in Indonesia, Zaire and Iraq, in each of which a private Japanese developer was supported by low interest rate loans or equity participation from the Japan National Oil Corporation (formerly Japan Petroleum Development Corporation).

### Ventures

JNOC exists to encourage and support overseas exploration ventures as well as to oversee and partly implement the current oil stockpiling programme. Its relative lack of success to date is put down partly to the fact that most of the Japanese companies which are involved in overseas oil prospecting are small entities and therefore no match for the efforts of the bigger and more experienced international majors. Another problem seems to be that Japan was late on the scene as an oil prospector.

The merging of Japanese oil exploration companies into larger groups is seen as an impossible task at present. What JNOC does plan to do is to step up its own support to new oil search operations and to offer in China.

loans to the national oil companies of other countries in return for access to oil supplies. The new terms for JNOC financial assistance to oil search companies will enable the Corporation to lend 70 per cent of the funds needed for ventures outside Japan (50 per cent previously) and 80 per cent of the capital needed to search for oil within Japanese territory (70 per cent previously). JNOC will also be able to finance 80 per cent of the cost of some projects outside Japan which are deemed to be of special interest or importance (e.g. the Japanese involvement in a Canadian tar sands project).

JNOC's direct financing of other national oil corporations began with a loan to Petroperu and has been followed by talks with Pertamina (the Indonesian state oil company). Very recently talks have begun of a loan to Petrovietnam, which could form part of a package deal under which Japanese companies take up prospecting rights in Vietnamese territorial waters which were originally granted to them by the defunct South Vietnamese Government.

JNOC is "in principle" ready to support the oil search by Japanese companies and their international partners which is due to get under way in the Korean continental shelf area later this year but in practice will not be supporting it because of unresolved problems relating to the demarcation of part of the Korean portion of the shelf area with neighbouring Chinese areas. This highlights the fact that the Corporation, like most other Japanese circles concerned with oil, is keeping a very careful watch on developments

CONTINUED ON NEXT PAGE

# Sunshine Project sets its targets

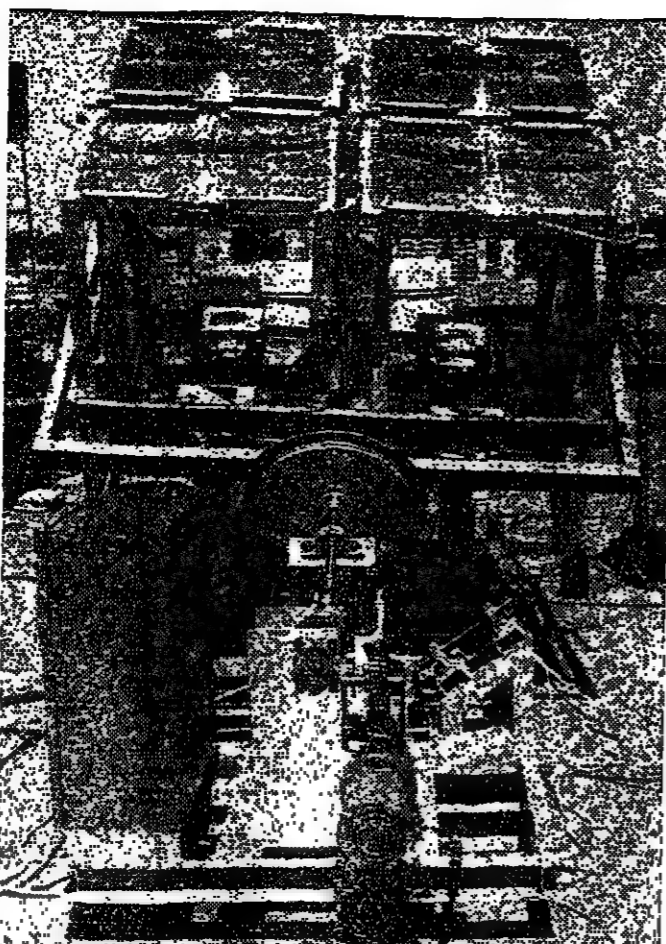
IN THE 1960s Japan put its money on oil as its main energy source. From around 1970 it began to believe that the future lay with nuclear power. Today oil is regarded as an energy source which will cease to be reliably available after about 1990 (in the quantities Japan needs) while nuclear power appears as an indispensable but highly problematic alternative.

It follows that Japan needs new energy sources. The promotion of (and to some extent direct conduct of) research into these became a Government responsibility in 1974 but the effort is still in its early stages and almost everyone concerned (both inside and outside Japan and in related international agencies) believes that it is inadequate.

The Government's main contribution to new energy research is being made via the Sunshine Project, a department of the Agency of Industrial Science and Technology which in turn comes under the wing of the Ministry of International Trade and Industry (MITI). The project began with a budget of ¥2.37bn in its first fiscal year and in the current (1978) fiscal year anticipated expenditure is ¥5.5bn. At this level expenditure on new energy research is still on an extremely small scale compared to nuclear energy research (which absorbs 85 per cent of Japan's total energy research budget and comes under the control of the Agency of Science and Technology, a body independent of and to some extent in competition with MITI).

Sunshine Project officials admit that their budget is extremely limited, but point out that research spending in the laboratory stage is invariably small. That happens to be where most new energy research projects have been during the first four years of the programme. The test of the programme's effectiveness may come during the next five years when various projects move from the laboratory to the pilot project stage. When this happens the project's demand for funds will rise sharply and Japan's normally inflexible budgeting rules may have to be bent to meet its needs.

The standard formula in the Japanese budget-making process is for each Ministry to be allowed to request a fixed annual increase (defined in percentage terms) in its overall budget. If the Sunshine Project is to get more funds in future either MITI will have to be allowed to increase its overall Ministerial budget faster than current guidelines allow or the Ministry



Solar energy is one of the four main areas being investigated by the Sunshine Project in its search for new sources of energy. Pictured above is a prototype of the Yokohama University PORSHÉ raft

will have to reroute funds away from other destinations within its overall budget to the sunshine project.

The project's current research effort is being made in four main areas: solar energy, geothermal energy, coal gasification and liquefaction, and hydrogen. The solar energy programme divides into two sub-sections — development of photovoltaic cells for the direct conversion of sunlight into electricity and the development of thermal systems whose primary function is to concentrate and store solar heat.

## Advanced

Japan claims to be relatively advanced in the former of these areas. A Japanese cell was used by NASA (the U.S. space development agency) in one of its recent projects. However, costs need to be reduced to about one per cent of present levels before direct conversion of solar energy into electricity becomes a commercial proposition. The Sunshine Project is aiming at a technological

breakthrough which would cut costs tenfold, after which mass production might be expected to do the rest.

In solar thermal systems the Sunshine Project is dividing its effort between central power generation system (a prototype of which, with a 1 Mw generating capacity, is expected to start operating by 1980) and solar houses which take in solar energy through roof units and use it for heating and cooling. Solar houses are said to be already viable as far as running costs go but cost about twice as much in initial down-payments as houses equipped with conventional heating systems. The problem has become in part one of devising incentive systems which would persuade Japanese householders to make a heavy initial investment in solar heating rather than spreading expenditure out more evenly on conventional heating systems.

Geothermal energy is the most straightforward of the Sunshine Project's four lines of activity. It involves devising methods to map and exploit the rich under-

ground heat reserves which Japan possesses by virtue of its nature as a highly volcanic country.

Coal gasification and liquefaction is a different matter. Japan does possess coal reserves and until the early '60s relied on coal for its main energy source. These are not large enough, however, or of sufficient quality to figure prominently in future calculations of Japanese energy consumption. The assumption is rather that Japan may step up imports of coal from suppliers such as the U.S., Canada and Australia. As a quid pro quo for access to imports from these sources Japan wishes to be able to make a contribution to coal conversion technology.

## Unlimited

Hydrogen figures as the fourth of the Sunshine Project's main lines of activity because of its potentially unlimited availability and because it should be easy to store. Research is being conducted into conversion processes involving the use of heat and pressure (available from off-peak electricity supplies) and thermochemical conversion.

The Sunshine Project has not involved itself in a major scheme for the conversion of sea water into hydrogen by solar energy which has been pioneered by Yokohama University and may move into the feasibility study stage in the next few months. The Yokohama project, known as PORSHÉ (Plan of Ocean Raft System for Hydrogen Economy) calls for the construction of a series of rafts in the mid-Pacific which would absorb sunlight and produce hydrogen for shipment to Japan (or elsewhere) either in liquid form in special tankers or in the form of gas in air-ships.

The PORSHÉ feasibility project is expected to cost ¥20bn while the first stage of an actual scheme which might provide up to 1 per cent of Japan's energy needs would cost an estimated ¥400bn.

The technology of the PORSHÉ project is recognised as workable and commercially viable. The project involves, however, political problems (the rafts would be sited in international waters inconveniently close to the site of the French Pacific nuclear testing ground). Transport is also a problem since tankers would be expensive and the shipment of hydrogen by airships could be extremely dangerous.

The target set by Sunshine Project officials is to develop new energy sources which could supply about 10 per cent of Japan's energy needs by the end of the century. The project's strategy (like that of most MITI-backed research) is to "start the ball rolling" by promoting or financing basic research in the hope that private enterprise will carry on from there.

The Sunshine Project suffers from the administrative limitations of being relatively isolated from other branches of Japan's energy research, including those being made within the Science and Technology Agency and with another MITI Government stockpile (half of which will initially be stored in tankers chartered from Japanese shipping companies). It all adds up to a sharp increase in the amount of money Japan is spending to secure its oil sources.

C.S.

C.S.

# A Sharp Eye.



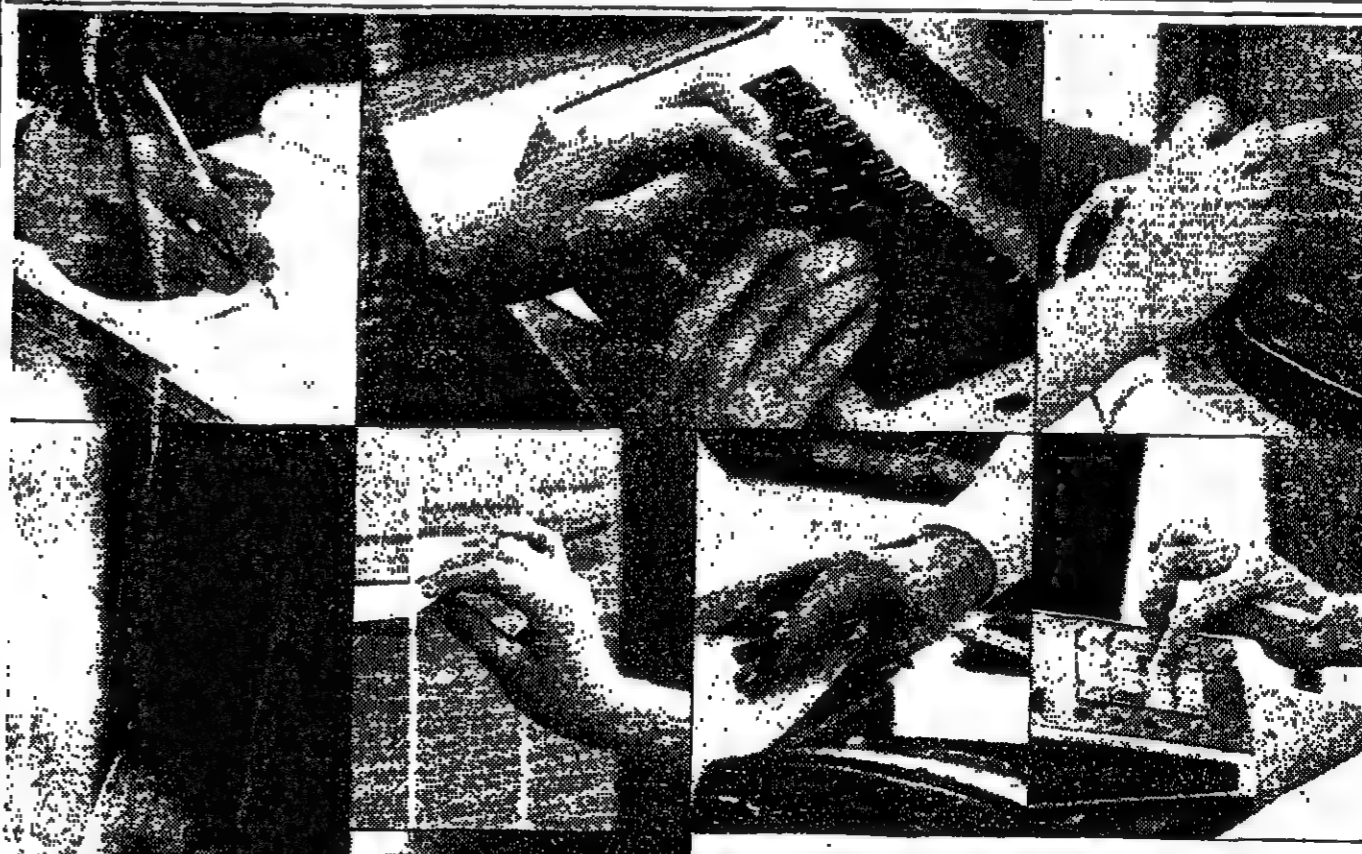
Those with a sharp eye for investment opportunities will eventually discover the lucrative Japanese market. Those with a sharp eye for quality will eventually discover the unmatched services of Daiwa.



## DAIWA SECURITIES CO. LTD.

Tokyo Head Office: 6-4, Otemachi 2-chome, Chiyoda-ku, Tokyo 100, Japan  
Tel: 243-2301 Telex: 122-411

DAIWA EUROPE N.V. Head Office: Amstel 344, Amsterdam, The Netherlands Tel: 239977 Telex: 44-16471  
London Office: Empire House, 8/14 St. Marks le Grand, London EC1A 4AJ, England Tel: 600-5676 Telex: 51-8841  
DAIWA EUROPE (Deutschland) GmbH: Schwandstrasse 3, 6 Frankfurt/Main, West Germany Tel: 75 10 23 Telex: 41-1111-3  
Paris Representative Office: 82, Avenue Marceau, Paris 8<sup>e</sup>, France Tel: 723-5551 Telex: 42-610441  
Geneva Representative Office: 31, Rue du Rhône, 1204 Geneva, Switzerland Tel: 21 1633 Telex: 45-23574  
Other Offices and Subsidiaries: New York, Los Angeles, São Paulo, Hong Kong, Singapore



## Financial handiwork

Sumitomo Bank.  
Where up-to-the-minute computerization helps make business easier and more efficient. But helpful hands will always play a prime part in getting a project done.

**The Sumitomo Bank, Limited**  
Osaka, Tokyo, Kyoto, Kobe, Nagoya and other major cities in Japan

London, Düsseldorf, Brussels, Vienna, New York, Chicago, Los Angeles, San Francisco, Seattle, Houston, Hong Kong, Singapore, Jakarta, Sydney, Mexico City, São Paulo, Beirut, Tehran, Cairo

## Sumitomo Finance International

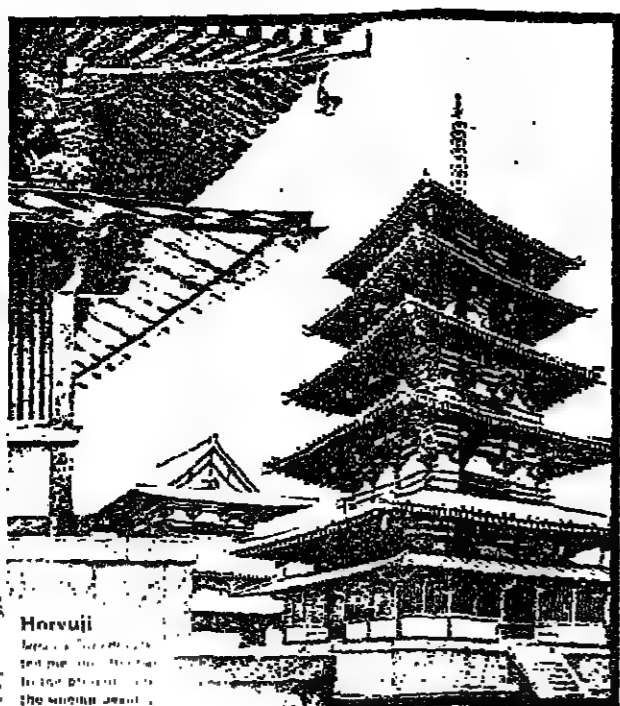
International Merchant Bankers  
and  
Market Makers

Specialising in  
Japanese straight and convertible Eurobonds  
including unlisted private placements

66 GRESHAM STREET, LONDON EC2V 7EL, ENGLAND  
01-600 0161 (General)  
Telephone: 01-606 5645 (Dealers) Telex: 8811043



## To Future Generations, Security



Horvui  
Pagoda, a traditional  
Japanese structure,  
is the symbol of  
the Daiwa Bank.

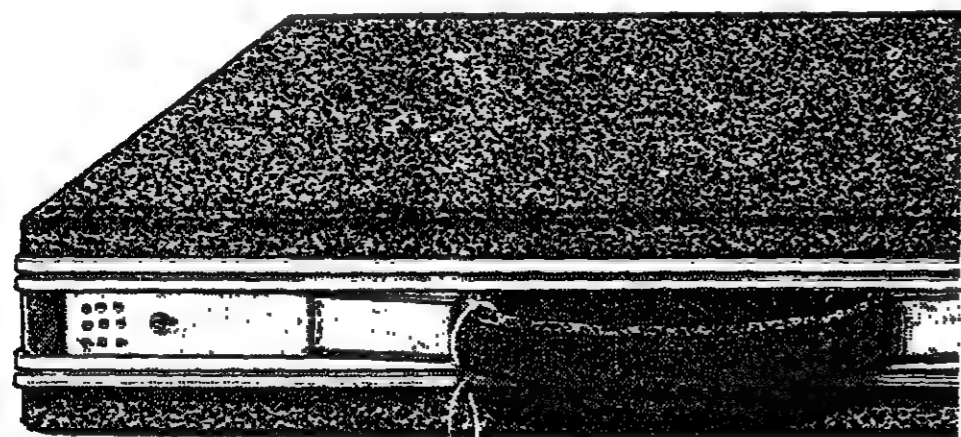
Social welfare is a subject of serious consideration in most modern societies. Man in the twentieth century accepts his responsibility to bequeath to the next generation a society better than his own. Daiwa Bank is not unique in accepting this responsibility, but Daiwa is unique in making acceptance of this role in society an integral part of their banking service.

Daiwa is the only Japanese city bank to combine banking and trust business. Daiwa is thus a fully integrated banking institution, comprising banking, international financing, trust, pension trust, and real estate business. This integration is part of our effort to fulfil our social responsibility consistent with society's needs in a contemporary environment.

a fully integrated banking service

### DAIWA BANK

Head Office: Osaka, Japan  
London Branch: Winchester House, 77 London Wall, London EC2M 1BD  
Frankfurt Branch: Eschersheimer Landstrasse 14, 6000 Frankfurt am Main 1, F.R.G.  
New York and Los Angeles Agencies  
Singapore, Sydney, Sao Paulo, Hong Kong and Houston Representative Offices  
Subsidiary: Daiwa Bank Trust Company, New York  
Joint Venture Banks: P.T. Bank Perdana, Jakarta, International Credit Alliance, Ltd., Hong Kong



## Carry the right connections with you on your next business trip.

Success in international business transactions can be very much dependent on the successful arrangement of international finance.

So you'll need all the resources and expertise of a major international bank behind you. Such as Bank of Tokyo.

We've got branches and connections spread over the length and breadth of five continents. And enjoy a worldwide reputation as one of the leading specialists in all the complexities of foreign exchange and corporate finance.

So when you're planning your next business trip it makes sense to plan a visit to Bank of Tokyo first.



## BANK OF TOKYO

London Offices: 20/21 Moorgate, London EC2R 6DH Tel: 01-638 1271 and 1 Hanover Square, London W1R 9RD

Your international connection

## JAPAN XII

# Threat to nuclear plans

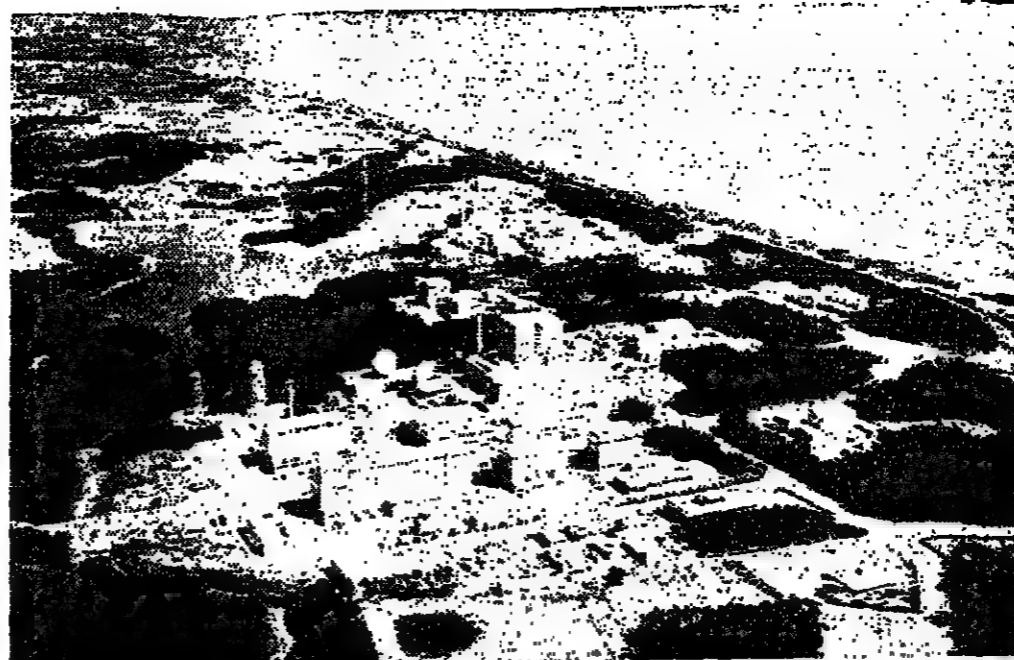
WHETHER JAPAN will be reasonably supplied with energy in the later 1980s and 1990s or whether it will face a painful squeeze depends above all on the success of its nuclear energy programme. Nuclear energy, according to the "aggressive" energy development plan published by the Government in June last year, is supposed to supply 7.4 per cent of Japan's total energy needs by 1985 (compared with the 1978 ratio of only 1.7 per cent). By 1990 its contribution should have reached 11.2 per cent, while by the year 2000 it should climb to about 15 per cent.

These targets are perfectly within the capacity of Japan's nuclear power industry so far as technology and investment levels are concerned. The availability of fuel causes no worries up to the mid-1980s and is unlikely to become an obstacle even after that, though this depends partly on international factors such as the evolution of U.S. policy on nuclear safeguards. What does loom as a serious problem both in the medium term and in the immediate future is the growth of public opposition to nuclear power stations and the time lag this is imposing on the nuclear power development programme.

In the early 1970s when the strength of the nuclear "allergy" had yet to be fully appreciated Japan set itself a 60m kW target for nuclear generating capacity in 1985. The target has since been slashed to 33m kW but it still looks ambitious when set against the rate of official licensing of power station construction "starts" and the time-lag needed to go through all the necessary procedures.

The position, as of mid-1978, is that fifteen power stations with a total capacity of about 12.5 kW are either operating or expected to start operating before the end of the year. Another 12 stations with an additional capacity of just over 11m kW have passed the crucial hurdle of licensing by the Electric Power Development Co-ordination Council (a top-level body presided over by the Prime Minister) and should therefore come on stream by the end of 1984.

This leaves a capacity shortfall of roughly 10m kW below



The O-arai Engineering Centre, which is conducting research into heavy water and fast breeder reactors.

the 1985 target which can be bridged if—but only if—there is a sharp acceleration in process for new power stations during the next couple of years. Officials estimate that the Electric Power Development Co-ordination Council will have to approve eight new power station projects in 1978 and another seven in 1979 in order to bring the 1985 capacity target within reach. This is a much faster rate of authorisation than has been achieved up to now.

### Elaborate

Approval by the Council is not the final stage in the elaborate series of procedures that have to be gone through before contractors can actually get to work on the construction of a new power station. After the Council has given the go-ahead the central government has to conduct a safety review of the project and compute compensation to be paid to the local authority of the area in which the power station will be located. (This is done under a formula introduced in 1974 which entitles local governments to a "nuisance payment" of ¥450 for each kilowatt of generating capacity at the new station.)

These procedures, while time-consuming, are less likely to become deadlocked than the process which has to be gone through before a nuclear power station project is taken to the Council. The earlier round of

procedures, whose success or failure determines whether or not a project can go ahead at all, include environmental studies, negotiations on compensation to be paid by the electric power company sponsoring the project to local people (as distinct from government compensation) and negotiations with the governor of the prefecture in which the power station is to be built.

The Ministry of International Trade and Industry (MITI), whose Natural Resources and Energy Agency has the job of shepherding nuclear power projects over the various procedural hurdles, estimates that the whole process from the selection of a site by a power company to coming on-stream can easily take 11 years, although actual construction work should take only three or four.

MITI says that opposition to the construction of nuclear power stations in Japan takes two forms—one based on the theoretical case that nuclear power is unacceptable on any terms, the other consisting of people who want to be handsomely compensated for the alleged risks and dangers of having a power station in their neighbourhood. The first group remains relatively small in Japan, though there are fears that doctrinaire opposition might spread from Europe, where it appears to be more widespread.

"Conditional" opposition to nuclear power, however, is

strong and well organised. It is especially prevalent among fishermen who allege that the release of warm water from nuclear power plants into coastal areas damages fishing grounds. A local fisherman's pressure group succeeded in extracting a compensation payment of ¥5.1bn (£13m) from the Tohoku Electric Power Company (in north east Japan) before they would agree to allow the company to go ahead with its Onagawa nuclear power project.

MITI admits that compensation demands and accompanying expressions of concern about radiation and other dangers have increased since 1974 when a series of minor pipe cracks caused several power stations to be taken out of commission for simultaneous repairs. There were no accidents of any kind before or during the repairs and the whole episode is classified as "normal teething troubles."

The Government's response to increasing public antipathy to nuclear power has been to step up the various types of compensation paid to communities in the neighbourhoods of power stations and to make its planning procedures as open as possible to public scrutiny. The details of environmental surveys choosing power station sites have been published in full since last year and the Parliamentary Vice-Minister of International Trade and Industry has been given the job of conducting

on the spot hearings on each project. So far as money is concerned the compensation payments handed out by the central government now go not only to the local government on whose territory a power station is to be built but also to surrounding local authorities who may feel that they stand to be affected, too.

### Amenities

Compensation payments are spent on local amenities such as roads, parks, etc. They are intended to make up for the fact that nuclear power stations harm the environment where they are located as much if not more than ordinary factories, but without creating anything like the same number of jobs.

Officials at MITI claim that the Government is making some headway in its campaign to win over the public to nuclear power. It is noted that the Komei Party, one of the three "progressive" parties which was firmly anti-nuclear until recently, now seems to be joining the Liberal Democratic Party and the Democratic Socialists on the pro-nuclear side of the fence—leaving only the Japan Socialist Party and Communists as determined opponents. The task of selling

another fear is that nuclear power installations might at some time become targets for the extreme Left terrorists such as the Red Army Faction. The recent success of Left-wingers in penetrating the defences of Narita airport and wrecking its control tower under the eyes of several thousand riot police has not done anything to diminish nervousness on this point.

The attractions of nuclear power for Japan are that it produces cheaper electricity than oil and does so with a far smaller input of imported fuel. Apart from saving money this appears to mean that a nuclear-powered Japan should be less critically dependent on its overseas fuel suppliers than today's oil-powered Japan. The entire experiment with nuclear power, however, only makes sense if the public can be persuaded to accept it, and for the time being no-one knows if it can.

C.S.

## adC

Amsterdam Depository Company N.V.

172 Spuistraat, Amsterdam

The Netherlands

Telex: 12286

Issues for 30 Japanese companies

は、日本と欧州の証券市場を  
結ぶ欧州預託証券

Continental depository receipts

## cdr

as the binding link between  
Japanese and European Stock Markets

を発行しております。

CDRs are officially listed  
and traded on the  
Amsterdam Stock Exchange  
and/or the  
Luxembourg Stock Exchange

## Rapid progress in space

JAPAN WILL start the exploration of Venus, Mars and other planets near the Earth, using its own technology, from the mid-1980s onwards. Between the mid-1980s and the mid-1990s it is expected to launch observation vehicles from the U.S. space shuttle into orbit around Jupiter, Saturn, etc. These plans were mapped out by the Space Activities Commission (an advisory body to the Science and Technology Agency) in March last year.

Since the launching of Japan's first satellite, the "Osumi" in 1970 rapid progress has been made in space activities. Eight more satellites have been launched, four in the scientific field and four in the applied field. Japan has also accumulated experience in various fields of space science, partly through its own research and partly by drawing on the results of other countries' research in the field of communications and meteorological observation. Future development will include research on new applications for satellites.

Globally, space development is about to enter into a second phase with the launching of the U.S. space shuttle by 1980 and of Spacelab by West European countries. As a basis for space development in the 1980s the possession of a space station and launching vehicles will be essential. In the field of space station development, however, Japan is lagging behind the U.S. and Europe despite its economic strength and the generally high level of its technology.

The Space Activities Commission is calling for efforts to consolidate Japan's space programme as quickly as possible. Otherwise, the Commission warns, Japan may not be able to keep pace with the development and applications of space technology planned by the U.S., the Soviet Union and Europe in the 1980s.

However, Japan cannot afford to carry out single-handed all the programmes which will be

conducted by the U.S. and the Soviet Union in the '80s. The Commission therefore proposes that Japan should select only important programmes and constantly review each programme's necessity, urgency and economics.

In contrast to the European countries which are carrying out space programmes within the framework of the EEC, Japan's geographic and cultural isolation means that it has to conduct space research independently. This is one reason why participation in international projects is an essential condition for maintaining the Japanese space effort at competitive levels. In order to gain a place in international projects, however, Japan needs to be able to make distinctive contribution—hence the need for careful selection of programmes to be undertaken.

### Outlays

Whatever strategy is adopted for space development the programme requires huge outlays. In fiscal 1975 Japan put 0.053 per cent of its GNP into space development compared with inputs of 0.2 per cent of their GNP by the U.S. and the Soviet Union, 0.078 per cent by France, 0.08 per cent by West Germany and 0.045 per cent by Britain. In fiscal 1985 Japan's budget for space development will still be between 0.05 per cent and 0.06 per cent of GNP.

According to the National Space Development Agency, a subdivision of the Science and Technology Agency with direct responsibility for the space programme, Japan's capability at present matches that of France or West Germany but lags far behind that of the EEC as a whole. Japan's goal for the 1980s is to keep abreast of West Germany.

Japan will place special emphasis during the 1980s on the following programmes: 1) the development of large liquid hydrogen launch vehicles by about 1985; 2) the development

of a communications and navigation satellite which will control ships and aircraft. (As a maritime nation Japan seeks to establish its own type

CONTINUED ON  
NEXT PAGE

MITSUI TRUST  
A GUIDING LIGHT FOR JAPANESE INDUSTRIES

However, what is so proud of is not the size but the quality and standard of our services.  
We command a key position in the Mitsui Industrial Group and also extend our services far outside the Group. We are confident in giving you advice in project financing, medium-term financing and security investment, as well as normal commercial banking. In the area where those Japanese industrial activities are concentrated.  
Needless to say, our services are backed up by a thorough research capability, a worldwide network and, above all, the best of personnel to cope with any project anywhere.

Total Assets ¥5,140,113 million (US\$23,117 million)  
Capital Funds ¥111,515 million (US\$502 million)  
(as of March 31, 1978; US\$1-Y222.35)



MITSUI TRUST  
THE MITSUI TRUST & BANKING COMPANY LIMITED

London Branch: 99 Bishopsgate, London EC2M 3XD Telephone: 01-638-0841 Telex: 888679 MTRUST G  
Cable Address: TRUSTMIT LONDON EC2 General Manager: Saburo Itoh  
New York Branch: Telex: 222401 MTCO UR Cable Address: TRUSTMIT NEW YORK  
Singapore Representative Office: Telex: 23796 MITUIT RS Cable Address: MITUITRUST SINGAPORE  
Head Office: Tokyo, Japan Telex: 126397 Cable Address: TRUSTMIT TOKYO



An amplifier production line at the Pioneer factory in Hamamatsu.

## Electronics research alters direction

JAPAN'S ELECTRONICS companies regularly spend about 4 per cent of sales on research and development. It is how they spend it that has been a fundamental shift in the way the money is spent: first, companies are spending a bit less on applied research; and second, the focus is on developing electronic parts.

Industry observers conclude, therefore, that there will be a fundamental change in the pattern of electronics production in Japan in the early 1980s. Instead of its present reliance on consumer products (and consumer product exports) to expand, the Japanese industry's take-up will lend more to production of entirely new electronic systems. Perhaps after the consumer/industrial applications will take the upper hand, but for the next five years it looks like a time to consolidate markets and refine technology; that is, making parts smaller, cheaper and more efficient for use in existing applications.

This is not to say that Japan will not flood world markets with some successor to the video cassette recorder (VCR) and pocket calculators and colour TVs which characterise the Japanese electronics industry in the 1970s; far from it. Already there are consumer applications of laser technology, etc., which will quickly spread to other industries. But Japan is not counting on mass markets for new consumer or industrial products, but instead on repeat customers for improved TVs, audio equipment, etc.

Between 1967 and 1977 the change in Japan's production structure in the electronics industry was barely noticeable. Consumer products fell from 1.1 per cent of production to 0.2 per cent of the total ten years later. On the other hand, industrial electronics products increased from 31.2 per cent to 35.5 per cent in the period, while electronic parts accounted for an increase from 27.7 per cent to 29.3 per cent.

The best guess is that consumer electronics products will continue to decline as a share of the industry's output (although it could rise in terms of yearly sales). During the decade to 1977, total value of electronics production in Japan quintupled to over ¥6,000bn. Some experts in the industry expect major strides in consumer-product development in the early 1980s, once the consumer applications of very large-scale integrated (VLSI) circuitry filter down and start to make new products incorporating VLSI's smaller and cheaper. But the saturation of Japan's domestic market for radios, stereos, television sets and—increasingly—video tape recorders, has got the industry looking more fervently to non-consumer items than ever before.

The implication is that Japan will have to compete more keenly with other (if smaller) electronics manufacturers, who already dwell more on the industrial product applications of the new electronics age. The Electronics Association of Japan (EAJ) estimates that fully 71.5 per cent of the American industry is producing industrial products (compared with 16.2 per cent for consumer items), and 12.3 per cent of electronic parts. The numbers are more balanced in the case of West Germany, but there, too, about 45 per cent of output is labelled for industry (and only 28.3 per cent for consumers).

But in fact, the most probable boom in electronics in the first half of the 1980s is in the field of electronic parts, and Japan has the edge with about 30 per cent of its production concentrated in this sector. The output of integrated circuits (ICs) has risen rapidly; ICs now rank as roughly 15-20 per cent of total, electronic parts production in Japan compared with only 5.8 per cent in 1971. Therefore, on the assumption that Japan will continue to find expanding markets for traditional parts (that is resistors, capacitors, transformers, etc), the boom in integrated circuitry could let the sector surpass both the consumer and industrial sectors by 1985. It is therefore not surprising that Japanese firms are spending the lion's share of research and development money on just such applications (roughly 80 per cent, according to the industry association).

Although the Ministry for International Trade and Industry (MITI) has laid stress on VLSI development for the computer industry, there are other innovations in electronics actively promoted by the Japanese Government or industry. Here is a sampling of the most important: in the medium-term:

- **Optoelectronics.** Optical fibre communication systems are rapidly approaching the stage of practical application. The successful trial production of fibre with low transmission loss has resulted in active research and work on semiconductor devices for both light emitter and photo-detector uses in the region of 1.3-1.4 microns wavelength, according to the EAJ. The development of laser applications in industry is reportedly strong.
- **Electron tubes.** Although cathode ray tubes remain the preponderant type of tube produced in Japan, accounting for nearly 80 per cent of all electron tube output, there are significant new sorts on the drawing-board. With names like Klystrons, ignitrons, vacuum switch tubes and a "high resolution X-ray image intensifier" have been developed by Japanese industry to fit specific needs (that is, ignitrons used as high-current switching elements in nuclear fusion research). As further research suggests other applications and unit production rises, the presence of these parts will naturally grow.
- **Semiconductors.** It is estimated that world production of semiconductors in 1977 was worth \$3bn, and Japan probably accounted for a third. So it is already big business. Recently, much of the private and it has concentrated on "discrete" semiconductor technology, with applications for audio and other products now being put on the market. But industry experts say the focus of semiconductor research is rapidly changing, and by 1985 a substantial portion of semiconductors made by Japanese companies will be microwave and photoelectric ones.
- **Integrated circuits.** The production of ICs exceeded that of semiconductors last year by at least \$1bn, and Japan may have taken about a fourth of the market according to statistics not yet published by the EAJ. Microprocessors are in common use in electronic cash registers, calculators, printers and electronic ovens, but the boom of the early 1980s will probably be in memories (e.g., programmable calculators and ovens which are just now being test produced). Some industry analysts reckon the world market for ICs could easily double by 1985.
- **Display devices.** Display tubes are rapidly being displaced by LCD (liquid crystal display) devices which came on the market in 1976 and have already overtaken the second-generation light-emitting diodes (LEDs) first adopted for numerical displays in electronic calculators, watches, etc. Statistics for 1977 are not yet available, but the EAJ reports that in 1976 when production of LEDs doubled to nearly ¥9bn worth, the output of liquid crystal displays nearly quintupled from ¥1.7bn to ¥8.2bn.

Now Japanese industry is feverishly trying to bring down the unit costs and improve display efficiency, while at the same time doing basic research into new forms of numerical and optical displays. Among these are plasma panels (now being manufactured), and other electron-powered gas display panels capable of producing wider gradations of definition and colour than LCDs which are practically limited to numerical displays because of two-colour definition. The new displays could be of major importance in the development of electronic television sets which do away completely with the traditional picture tube, and, in theory, could eventually be as thin as today's pocket calculators. Several major Japanese electronics companies are developing this sort of TV set using competitive display devices, with a good chance of having a first one on the mass market in the early 1980s. By 1985 they could be hanging on any Japanese or western living-room wall or, in miniature, tucked away for occasional viewing in coat pocket.

## Space

CONTINUED FROM PREVIOUS PAGE

of communications network Japan is in a better position than some industrialised nations cannot round the world through a to benefit from spin-offs from always adopt new communications systems developed during space communications system space technology than some nations active in the field space research as swiftly as hat could maintain contact such as China and the Soviet less-developed nations because (essels); 3) the development of Union. The reason for this is of their established dependence techniques for manufacturing that it has a highly on "earth-bound" communications systems.

Because of this some observers believe that relatively rapid progress may be made in space development by developing regions such as Latin America or the Middle East leading to a closing of the gap between developing and advanced nations. As an example of a gap which is already being closed Japan and China both launched their first satellites in 1970. The Space Activities Commission, says, however, that China may be five years ahead of Japan in space development by 1980 because of its active utilisation of space systems.

Space development viewed from a global vantage point appears to be moving in two directions. On the one hand there has been a rapid increase in international projects of various kinds. On the other, competition between individual nations to get ahead on space development is clearly on the increase. Japan naturally ranks among the more advanced countries when it comes to direct comparisons of the scale and sophistication of its space programme but this very fact has certain disadvantages.

Yoko Shibata

D.R.

## Helping You Make It Happen.

Whether your market is Japan or international, you'll want to know us—Toyo Trust. We're one of Japan's major trust banks, offering full banking services in Japan, especially long term credit. We stand ready with the knowledge and know-how you require.



## TOYO TRUST BANK

The Toyo Trust &amp; Banking Co., Ltd. Tokyo, Japan

International Department: Address: 2-5, 1-chome, Nishinomiya, Chuo-ku, Tokyo, Japan

Telephone: 03-271-7881 Telex: J22123 TYTBNJ

New York Branch: Address: 140 Broadway (37th Fl.), New York, N.Y. 10005 U.S.A.

Telephone: (212) 480-1234 Telex: 22-2675 (TYTBNJ)

London Representative Office: Address: 55 Abchurch Lane, London EC4N 3EE, U.K.

Telephone: 01-606-2416 Telex: 855619 TYTBNJ LON

Hong Kong Representative Office: Address: 26th Floor, Alexander House 19-20, Chater Road, Central, Hong Kong

Telephone: 5-265657 Telex: 85198 TYTHK

## NYK's Full-Spectrum Container System Means Better Service.

NYK, Japan's largest and most versatile shipping company, integrates every detail connected with your shipment. Here is how:

First, our on-line computer system. We can now coordinate shipping activities all over the world. The location and details of each ship and each container are instantly displayed on the central computer screen. The latest word in customer service.

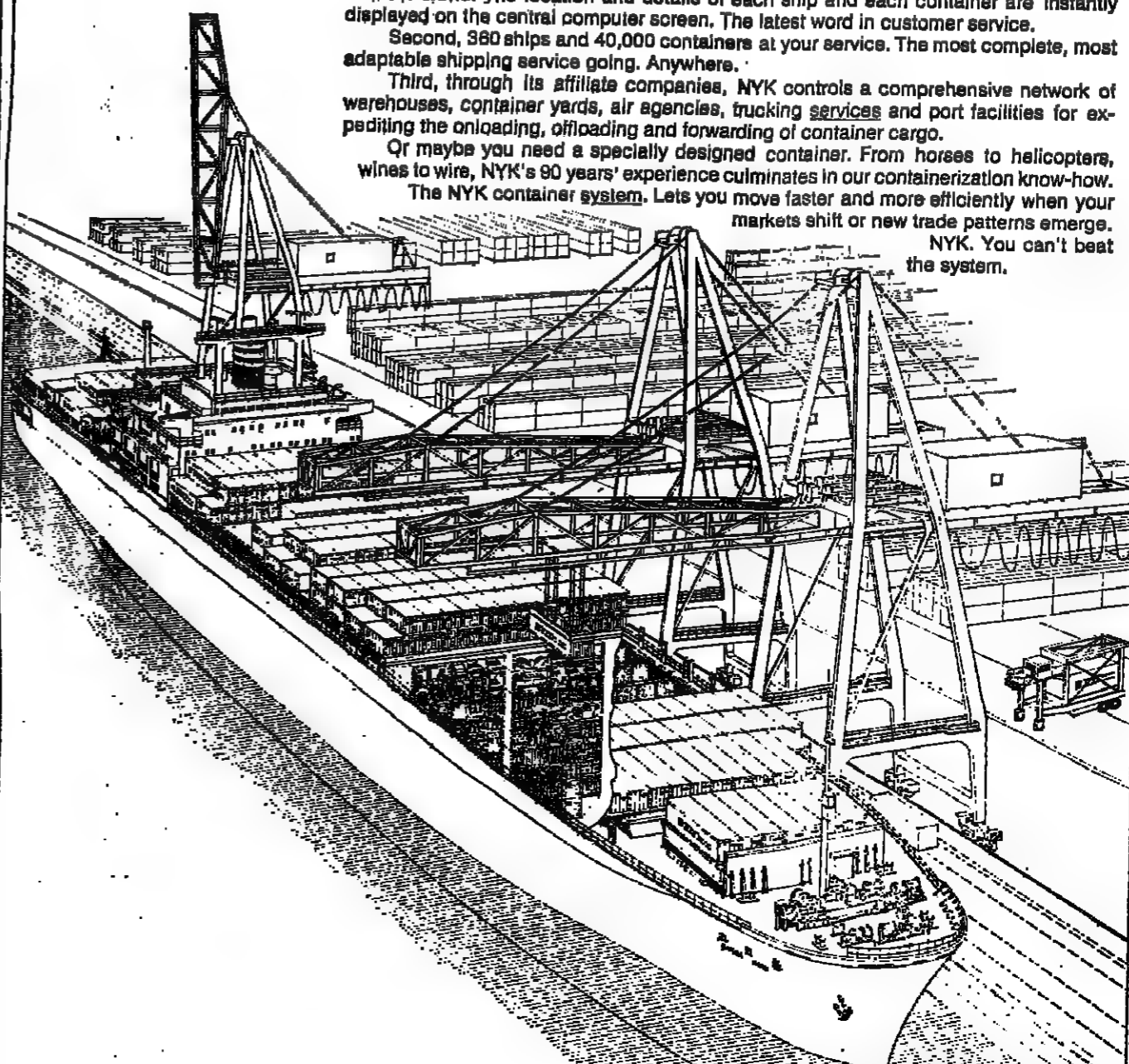
Second, 380 ships and 40,000 containers at your service. The most complete, most adaptable shipping service going. Anywhere.

Third, through its affiliate companies, NYK controls a comprehensive network of warehouses, container yards, air agencies, trucking services and port facilities for expediting the onloading, offloading and forwarding of container cargo.

Or maybe you need a specially designed container. From horses to helicopters, wines to wire, NYK's 90 years' experience culminates in our containerization know-how.

The NYK container system. Lets you move faster and more efficiently when your markets shift or new trade patterns emerge.

NYK. You can't beat the system.



**NYK LINE**  
NIPPON Yusen Kaisha

Head Office: Tokyo, Japan  
London Branch Office: 89 Abchurch Lane, 15 St. Botolph Street, London, EC4A 3NR, England. Tel: (01) 263-2099 Telex: 884296-8  
Other Overseas Offices in Europe: Düsseldorf Tel: 84151 Hamburg Tel: 35 93-1 Paris Tel: 285-1900 Milan Tel: 803246

## JAPAN XIV

## Advanced transport technology

BY 1985 the Japanese will almost certainly have proved again that they are the world's best transportation technologists. But their success will probably demonstrate that technology alone cannot solve their transportation problems.

The fastest train in the world is likely to be a magnetically levitated "High Speed Surface Transit System" (HSST) linking Tokyo's Narita airport with the city centre. The airport is about 38 miles away, making it one of the most inconvenient in the world. But the HSST could bring passengers downtown in 14 minutes. Its top speed would approach 190 mph—about 40 per cent faster than Japan's and Britain's current high-speed trains.

"Light Guideway Systems"—quiet, automated, rubber-tired train systems travelling on concrete tracks that can be suspended over roads—will operate in at least four Japanese communities.

Trams will have begun to make a comeback. The city of Sapporo has already been able to attract passengers back to the trams and even make a modest profit by modernising tracks and replacing metal with quiet rubber wheels. (Another factor in Sapporo's profits is the hiring of low-paid elderly drivers.) Modern signalling technology by 1985 will probably make it possible for traffic lights to turn green when trams approach, considerably increasing their speed.

## Signalling

The Japanese will also have incorporated advanced signalling technology into cars by 1985. Already an experimental system in one part of Tokyo communicates at each intersection with boxes in specially equipped cars, telling the drivers the fastest route to their destinations. By 1985 similar devices will probably be installed on most Tokyo taxis, and a number of other applications—including using the same gadgets to keep track of the cars that use the busiest road and bill their owners for the privilege—are being considered.

The Japanese freely admit that much of this technology is not original. The most important work on the HSST was done in Europe, and the light guideway systems were invented in the U.S. But ever since World War II Japan's technological successes have come from implementing advances faster or better than the countries that originated them.

In the future Japan will do more of its own research. A magnetically levitated research vehicle of the Japan National Railways this month set the world speed record for a rail vehicle—210 mph.

There is keen rivalry between researchers connected with the railway, which is working on a long-haul magnetically levitated train, and researchers at Japan Airlines, which is developing the technology to link Tokyo with its airport. Each suggests that the other's system may not be feasible.

The National Railway's



The Vona system for short distance transport. Developed jointly by Mitsui and Co. and Nippon Sharyo Seizo Kaisha, it has completely automated stations, platforms and vehicles.

system is supposed to reach over 310 mph eventually—as fast as the climbing speed of a Boeing 747—but there is no chance it will be completed by 1985. Japan Airlines hopes to start building the track for its HSST next year and have the whole system operating by 1982 or 1983. Its engineers even once suggested it was technologically possible to open the system by 1980.

But despite Japan's increasing emphasis on domestic R and D its efficiency at borrowing and applying will still be fundamental. No country can dominate world technology today, certainly not a country that spends as little on pure research as Japan. The best explanations for Japan's success in applied technology lie in its distrust of the "invisible hand" of the market and in the team spirit of its organisations.

Whatever the advantages of the "invisible hand" for allocating resources in slowly changing industries, the development of something as complex as a new transportation system does not proceed well when each municipality, government ministry or private corporation places or fulfils orders in an uncoordinated way. And the fruits have been particularly favourable in high-technology manufacturing industries.

Light guideway systems in the U.S. have been built by aerospace companies and supervised by Government officials there who frequently knew little about the companies or the technology and needed quick results to please politicians. The systems have been plagued by delays, breakdowns and accidents. The public was not prepared to accept the kind of long testing period in a mass-transit system that the government had long accepted in aerospace systems.

Japan's light guideway

systems are built by consortia of trading companies and heavy equipment manufacturers, supervised by what is undoubtedly the most patient bureaucracy in the world. Completion of the first light guideway system in Osaka in 1980—based on technology licensed from Vought Corp. of Texas—will climax more than a decade of corporate research and bureaucratic leadership.

The Government and corporate teamwork is not based on anything secret or inscrutably oriental. It is produced largely by the Japanese practice of guaranteeing job security and making pay increases for all depend on the success of the organisation as a whole. Virtually all the people who first began exploring light guideway systems in the late 1960s are still in or associated with the same organisations and those whose efforts are considered important in making their organisation successful are greatly admired by their friends.

## Congestion

But while transportation successes have made a number of individual organisations and groups happy, neither the light guideway system nor any other technology will save Japan from its transit problems over the next decade—especially the problems of vehicle-related congestion and sprawl.

Japan's third comprehensive development plan projects a 60 per cent increase in passenger miles of car travel between 1980 and 1985, compared with only a 20 per cent increase in rail travel including light guideway systems.

Yoshinobu Yasoshima, a professor of civil engineering at the University of Tokyo who has headed several Government transportation policy

committees, said that despite their emphasis on technological development, the Japanese have been unable to develop a transit system that can work outside major cities. The light guideway system, which was developed largely for its low cost, still costs half as much as a modern subway—about ¥10.8bn (\$50m) per kilometre. It is capable of carrying 20,000 passengers per hour, and is uneconomic except in areas where traffic approaches that volume.

The long-neglected trams can serve less densely populated sections, but the real problem is one of pricing and financing. Trams were largely abandoned in Japan because they accumulated deficits, and projects showed buses could run at a profit. But buses became almost as unprofitable as trams when increasing traffic slowed them down. Meanwhile the latter has also polluted every city and town. Japan is well on the way to cleaning up vehicle exhaust emissions, but the traffic noise and the ugliness of the parking lots cannot be eliminated so easily.

Japan's public service operates on "the beneficiary pays the cost principle." But Professor Yasoshima says this has never worked in transportation. Transit systems ranging from tiny rural railways to huge urban subway and bus systems have commanded substantial subsidies because of their nearly universally recognised social benefits. Often subsidies have been disguised to prevent spiralling wage demands from transit employees and service demands from local communities, but a successful transportation policy cannot be run that way. If Japan is really going to solve its transit problems, a coherent pricing and financing policy is more important than any technology.

R.W.

## High growth forecast in computers

THE FATE of Japan's present largest computer market after the U.S. One reason is the strong pressure on them from MITI towards co-operation on research and development projects. The present generation large-scale computers are mostly products of joint R and D: Fujitsu and Hitachi's M-series machines; Mitsubishi and Oki Electric's Cosmo series; and the Acos series developed by NEC and Toshiba. These developments, without neglecting conventional computers, have enabled Japanese makers to keep about 60 per cent of their own market, thus limiting IBM's share to under 30 per cent.

In sheer terms of increased capacity and lower cost Japanese computers powered by such memories would probably stand up strongly to IBM (with 60 per cent of the world market) in 1985. But can the Japanese succeed where more experienced European companies have tried

Japan—now the world's second by 1985 Japan will see output of its own industry double, triple or even quadruple from the 1977 level of ¥719bn estimated by the Electronic Industries Development Association of Japan (EIDAJ). The sheer weight of Japan's domestic computer industry is therefore bound to produce a substantial export capability just as Japan has managed to boost its car exports to about 50 per cent of Japanese car production in less than 10 years.

Already there are signs of expanding export activity by Japan's six mainframe computer manufacturers (and by countless smaller software producers). In 1975 exports from Japan of computer-related items were only ¥21.5bn; by 1977 the volume of overseas sales had nearly doubled to ¥40bn. There are no overall industry estimates for 1978 exports but most manufacturers want gradually to increase the share of exports in their total sales from the current 5 per cent average industry-wide, which counts on computers for about three-quarters of its total

Notable

Few other industries can boast of growth prospects in excess of 10 per cent a year in the next few years. The notable exception is computers. According to a study by the Yamaguchi Research Institute, the data processing industry looks like posting an average annual growth of 18.3 per cent between 1978 and 1980, and sales may rise even faster in the following five years.

Essentially that means that

sales, hopes in the next few years to triple the export share in sales, put at 9.5 per cent in 1977.

According to Mr. Katamitsu Kono, manager of Japan's Centre of the International Co-operative for Computerisation (CICCI): "By 1985 we will have extensive links with users and manufacturers around the world and not just in developed countries." Indeed, the Japanese computer-makers virtually neglected the American and European markets for data processing equipment until 1975, preferring to concentrate their efforts elsewhere. Two examples show the trend.

Fujitsu has invested in Secoinsa, a private Spanish computer company scheduled to begin manufacturing mainframe computers in October 1978 based primarily on Fujitsu technology. The company also won (in early 1977) a major order from the Compania Telefonica Nacional de Espana as well as a landmark order for large-scale computers from Australia's Computing Automotive Reporting Service. Fujitsu is supplying know-how and some equipment to a semi-

CONTINUED ON NEXT PAGE

## Grow with Chuo Trust

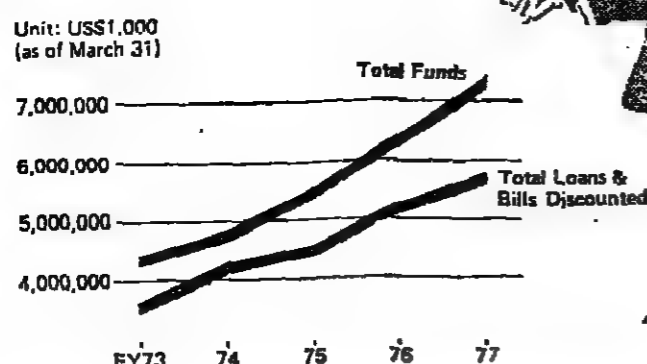
The Chuo Trust & Banking Company is one of the fastest growing trust banks in Japan and offers a full range of banking services.

Our financial specialists will advise you on all aspects of medium and long term loans, securities investments and international capital transactions.

For business with Japan, choose a reliable bank. Choose Chuo Trust.

## THE CHUO TRUST &amp; BANKING CO., LTD.

Head Office/Foreign Department:  
7-1, 1-chome, Kyobashi, Chuo-ku, Tokyo, Japan  
Tel. 567-1451 Telex: Tokyo 252-3300  
Cable Address: CHUOTRUSTBANK  
New York Agency:  
One World Trade Center, Suite 7823,  
New York, N.Y. 10048, U.S.A.  
Tel: (212) 939-0200 Telex: 222537  
London Representative Office:  
7 Birch Lane, London EC3V 9BY, U.K.  
Tel: (01) 626-0231 — 3 Telex: 8812700

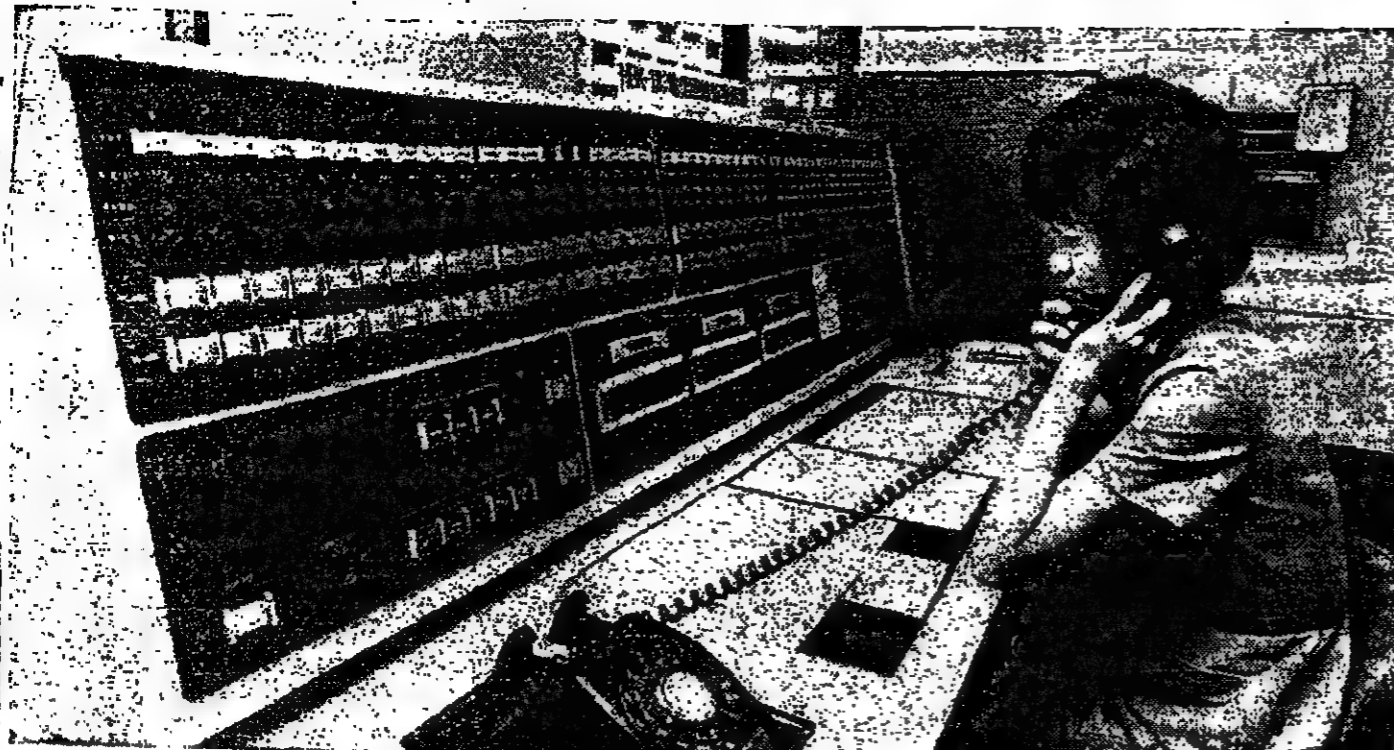


## The right combination, the right results. Mitsubishi Trust.

Mitsubishi Trust offers made-to-order banking service based on a thorough combination of vital factors. Nearly half a century of experience. Unlimited banking expertise. Long-established stability. A highly trained, capable staff. And extensive assets. When you deal with Mitsubishi Trust this combination works to your advantage. It's what has made us first in international banking among Japan's trust banks. It's the combination that gets the right results.

## The MITSUBISHI TRUST and Banking Corporation

LONDON BRANCH: 77 Abchurch Lane, London EC4N 3DF, U.K.  
Phone: 01-439 4811/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/00/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/8



The control box at Mitsu Com. communications Division in Tokyo.

## A revolution in communications

ON JULY 18 Japan's communications industry takes a giant (though little publicised) step into the 1980s. The world's first visual information system employing optical communication techniques will be hooked up at the small community of Higashi-Ikoma between the southern Honshu cities of Osaka and Nagoya. Some 188 families have terminals installed in their homes for the experiment, which will last well into 1979.

Known as Hi-Ovis (Higashi-Ikoma Optical Visual Information System), this example of the most modern communications techniques may be extended, possibly to the port city of Kobe where a new town is being built on a man-made island in the bay. If so, Port Island could become by 1990 the first town anywhere built up around communications systems which look like becoming ubiquitous between now and the turn of the century.

### Interactive

What is Hi-Ovis, and what will it mean for Japan by 1985? Put simply, it is a community-based information system which allows two-way "interactive" communication system using visual, audio and digital methods. Subscribers are hooked up to the communications centre by a TV set and camera which lets the centre "look in" on the household; a microphone which allows voice communication; and a keyboard which lets the subscriber retrieve information (entertainment programmes, stock market figures, etc) by punching a series of buttons.

The Hi-Ovis experiment is not Japan's first. At Tama new town, north of Tokyo, households have been hooked up to an information centre since the early 1970s. The systems differ in that Tama does not have two-way optical transmission, and data retrieval is done using a touch-tone telephone. To the visitor, Tama can nevertheless be more impressive. Each home is fitted with dual TV and facsimile receivers which allow for a more varied choice of peripherals for information reception. At Higashi-Ikoma, visual reception is limited to the television screen.

Perhaps 99.9 per cent of Japanese homes have TV screens but we are not using them fully," explains the head of the Ovis project, Dr. M. Kawahata. In addition, by leaving experiments in terminal equipment to the Tama project, engineers at Higashi-Ikoma have been able to spend more time and money on the sophisticated computer, optical fibre and video systems which permeate the Hi-Ovis experiment. As Dr. Kawahata sees it, the experiment goes far beyond the sheer improvement of communications; it is at the heart of how Japan must develop, in both the manufacturing and service industries, in the next decade.

The revolution in communications technology, however, has much wider implications for Japan in 1985 than communication or what new machines will be installed in whatever number of Japanese homes. The wider implications are in fact on industry and employment. In short, the "new" communications are good for Japan's economy. But how?

Pointing up the differences between the Hi-Ovis and Tama new town projects, Mr. Kawahata is careful to note that Tama is the brainchild of the Posts and Telecommunications Ministry—that is, an exercise in future communication. The \$15m Hi-Ovis project on the other hand is backed by the Ministry for International Trade and Industry (MITI) which sees it as an experiment in new technology and new hardware with a view to manufacturing potential. Hence the unique make-up of the Hi-Ovis developers. MITI has put together a consortium of up-and-coming companies in the communications-related business: Fujitsu for computers; Sumitomo Electric for optical fibre transmission; Matsushita for audio-visual technology. As Mr. Kawahata points out, "MITI picked the most advanced company in each sector; we have the best of everything."

Basically, though, Japanese research into communications systems is split into several parts. Each in turn has its special lobby (as well as

● The first is a nationwide, development of new software to high-speed and high-capacity fit the narrower needs of the information network. Its purpose would be to transmit information evenly to all parts of Japan. (For example, national television, facsimile transmission, programmed information, weather, etc.). The Posts and Telecommunications Ministry wants to build a communications satellite for just this purpose; it could be launched in the early 1980s. But there are problems. Besides TV transmission, the only major use would be facsimile transmission over airwaves. In the first case Japan does not seem willing to scrap its existing television transmission network and face the loss of jobs and facilities.

In the second, few experts believe Japan will have enough facsimile receivers in place in the early 1980s to justify the satellite's expense. ● The second involves locally-based, community-oriented information systems (like Hi-Ovis or Tama). Eventually these systems would be expanded and information "pooled" so as not to duplicate work. It would require a massive investment in optical fibre transmission materials, although ultimately most scientists reckon Japan will need at least three or four "central" data banks servicing community systems (which could vary from a Tokyo district of 1m people to a suburban skyscraper with a strictly daytime population).

● The third involves locally-based, community-oriented information systems (like Hi-Ovis or Tama). Eventually these systems would be expanded and information "pooled" so as not to duplicate work. It would require a massive investment in optical fibre transmission materials, although ultimately most scientists reckon Japan will need at least three or four "central" data banks servicing community systems (which could vary from a Tokyo district of 1m people to a suburban skyscraper with a strictly daytime population).

What is more important for Japan, though, is that Japanese companies are managing (with MITI's help) to be pioneers. For although the sorts of research and development vary tremendously, it is quite clear that Japan ranks behind no other country in communications development. Some regulatory obstacles (which at least seem to be crumbling) have prevented more rapid growth of the sector, but the new technology is very much on par—and some would claim ahead of—what is coming out of the American communications industry.

### Retrieval

● Then there are data retrieval systems. The overwhelming interest of business in "new" communications has to do with rapid gathering and recall of information. Though not as widespread because of the near-total ban on cable television in Japan, there are important experiments (not unlike Britain's Viewdata). Nihon Keizai Shimbun, Japan's largest business daily, has spearheaded efforts in this direction and recently won government approval to launch a prototype data retrieval system for industry based on its own data "bank." These systems, however, rarely involve new hardware technology. As at Tama they involve hardware applications or, nearly as often, the

## Successful business with Japan depends on the company you keep.



Especially when your business activities require flexible and imaginative banking services.

Kyowa Bank is organized to provide all the help you need.

We give you direct access to Japan. Through offices in all the world's financial centers, including London, New York, Los Angeles, Hong Kong, Frankfurt, Amsterdam, Singapore, São Paulo, Chicago and Tokyo.

And, of course, numerous correspondent banks.

At home, we provide a comprehensive network of 225 branch offices to put our services right where you need them.

And with assets of US\$20,200 million, we can arrange a custom-built financial package suited exactly to your needs.

Which makes us good company to keep.

In Japan.

And anywhere in the world.



### THE KYOWA BANK, LIMITED

Head Office: 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Telex: 324275  
London Branch: Princes House, 95 Gresham Street, London EC2V 7NA  
Tel: 01-606 9231/6 Telex: 885317

## Your interests come first.

C. Itoh. One of Japan's leading trading firms. And a firm that has been closely linked with business in London and Europe since 1919.

C. Itoh means much more than import and export. For the 1977/78 term, we recorded a total business turnover of roughly U.S.\$28.6 billion.

Our global network of business offices, communications, financing, insurance, transportation and other services extends to about 80 countries and 150 major cities around the world.

The growing popularity of European products in Japan—a market of 100 million affluent customers—indicates the great potential for imported goods.

Currently, we trade in many diverse products: men's woolen fabrics, women's apparel, textile machinery, knitting machines, printing presses, fruit packing machinery, marine equipment, computers, chemicals, medicines, alcoholic beverages, skiing equipment and clothing, sports boots, sporting goods and a host of other products and raw materials.

Third country trade is another of our major activities that is constantly growing. In recent years we have organised many major plant projects in Africa and the Middle and Near East, procuring equipment from European manufacturers for a good number of them.

Whatever the project, contact C. Itoh. Your interests always come first.



C. ITOH & CO., LTD.  
London Office: 76 Shoe Lane, London EC4A 3JB Phone: 01-353-6090 Telex: 261981  
Other Offices in Europe: Athens (Phone: 7708401), Berlin (229-2185), Bucharest (12.35.44), Düsseldorf (0211-88981), Hamburg (040-339381), Las Palmas (928-270745), Lisbon (771441), Madrid (91-2703000), Milano (877541), Oslo (02-333360), Paris (533-24-00), Praha (64544), Rotterdam (010-132948), Sofia (86-50-85), Stockholm (08/13-0875), Warszawa (203884), Wien (0222-632894) and Zurich (48.52.13).  
Tokyo Office: C.P.O. Box 135, Tokyo, JAPAN Telex: J22295 (ITOHCNU)

## Computers

CONTINUED FROM PREVIOUS PAGE

government firm. Consolidated Computers, to gain a foothold in the North American market.

Hitachi, Japan's second largest computer manufacturer, has won several big orders in China, most recently last March. Hitachi and other Japanese computer-makers have also won small orders in eastern Europe, where they compete directly with not only IBM but several strong German manufacturers.

Nevertheless the export strategies of Japan's computer-makers rest squarely on their anticipated bid to compete with IBM and other American and European majors not just on third markets but in the U.S. as well. So far the moves have been hesitant.

Fujitsu is tied up with Amdahl Corporation and this year will build 100 systems jointly designed with Amdahl to be marketed in the U.S. by that company (in which Fujitsu has taken a 27 per cent equity stake). A sales subsidiary has been established by Amdahl in Bermuda, and it is building an assembly plant in Ireland. Meantime, Fujitsu is separately marketing under its own label

a range of small and medium-sized machines.

Hitachi, which has just started selling large-scale computers to Ikel Corporation (perhaps 25 systems this year) for marketing under Ikel's label in the U.S., has not yet sorted out its strategy on Hitachi-brand computers and peripherals. A full-scale marketing network will probably not be in place until 1980. Other manufacturers have either simply not got into the U.S. market yet (like Toshiba), or are starting first sales in 1978 (Mitsubishi Electric's Melcom office computers and NEC's system-100 small business computers) or will remain exclusively suppliers of peripheral equipment to U.S. manufacturers (e.g. Oki Electric's tie-up with Sperry-Rand).

### Change

Most computer industry analysts reckon there will be some structural change in the industry in the early 1980s, with Japanese makers joining forces into two, or at most three, strong groups. MITI, which is funding VLSI re-

search by two consortia, looks like favouring this future for Japan's industry. To a large extent, however, the final make-up of the industry hinges on how quickly Japan catches up to IBM in its technology. So far the strides have been impressive, with Fujitsu now clearly able to match the best large-scale system available from IBM.

But the competition is only just hotting up, since IBM is widely believed to be on the brink of announcing its next generation (called Fs for "future system") computers using VLSIs. They could go on the market early in 1979, a full year before the most optimistic Japanese target date for the launch of what Fujitsu-promises will be competitive machines employing 64-kilobit VLSIs.

Naturally, the Japanese main-frame producers are scurrying to bring forward their new machines, but it is clear that they are at least one year behind IBM in the systems applications of VLSI circuits. Beyond that handicap, they must also fight against IBM's monolithic hold on virtually every overseas market (except Japan's own

and Britain's). Initially the Japanese makers will continue to joust with IBM in Australia, Canada, South Africa and the Communist bloc but by 1985 there is every indication that further export growth (considered a prerequisite for continued high expenditure on R and D) will require a significant presence in the American market.

Although MITI worries most about keeping pace with high-technology gains by IBM, important strides are also being made with MITI funds in the arena of peripheral equipment (including terminals). Subsidies for peripherals development began in 1972 but ended in 1976. Still, research and development at the big peripherals manufacturers has proceeded unabated and electronics industry observers note that in the early 1980s Japan may prove to be fully competitive with IBM in magnetic disc equipment, with IBM and Control Data in mass storage systems, and eventually with all the American majors in pos (point of sale) terminal equipment.

D.R.

## JAPAN XVI

## The woman's role

WHEN A Labour Ministry policy maker was asked where women would play a bigger role in the Japanese labour market in 1985 he suggested part-time supermarket clerking. In a later interview his comment produced a groan, but little disagreement, from the leader of a women's group.

Today Japanese women workers are confined almost entirely to fields considered appropriate for women. Few expect that to change by 1985.

Not all Japanese women's jobs are bad ones, nor is the condition of most Japanese women miserable. If it were there would be a stronger movement for change. Most Japanese designers are women

and so are the majority of pharmacists and teachers in the lower grades. Medicine, journalism and computer programming are considered appropriate careers. Though women's status is improving in many of these occupations, however, a woman often must be much better than her male counterpart to get ahead.

Many large Japanese companies have never hired a single woman college graduate for a career position. Such discrimination is blatantly illegal under the constitution Japan adopted during the postwar U.S. occupation but the Government makes no effort to prosecute violators because the predominantly male bureau-

cracy believes enforcement is unimportant.

The Labour Ministry says it believes 13,300 companies require women to retire before age 55 (frequently at age 40), and 1,200 force them to retire upon marriage. It has a five-year plan to persuade the companies to abolish such practices. It has no plan to make them abolish discrimination in hiring and promotion.

Many Japanese women are unhappy, especially the older and educated housewives. At least one survey has indicated Japanese women's satisfaction with life tends to decline as they become more educated and the outgoing. "They're very dissatisfied, so if we could show

them the direction they should go, they would follow very easily," said the leader of a woman's group. "But that's the problem; it's not so easy."

It is not easy to show the direction Japanese women should go because few of them want to be like Japanese men. The majority of successful Japanese men still join companies or government when they graduate and advance quite slowly (although the brightest young men often get more interesting and important work than people of comparable rank in the West). Because of the recession and the consequent difficulty of changing jobs this system has actually grown stronger in the past few years.

Now, however, the women who started college in the 1950s are seeing their children grow up. By 1985 many will seek jobs. It is unlikely they will all be happy as supermarket clerks.

Many of the more rewarding traditional women's occupations are among the most rapidly growing in Japan's economy—consumer consultants, marriage advisers and computer programmers, for instance. Women are also penetrating slowly into fields like law and the management of medium-sized companies. There are progressive large companies which have also begun to employ women in significant jobs. So it is conceivable that Japan's educated women could be absorbed into the labour force with only minor changes in Japan's economic system.

## Dissatisfied

But it is also possible that more Japanese women will find themselves without outlets for their talents by 1985 and become more dissatisfied with their status. The next seven years certainly will not bring economic equality for Japanese women, but they could bring the start of Japan's first broadly based women's movement.

Women today have dramatically more strength and freedom

## Alternative

Few women consider this an appropriate career path for themselves. The main alternative roads to success—private enterprise and the professions—are already open to them but few have the drive to run their own businesses or acquire an advanced degree.

Differences in the psychology of Japanese women and men are deeply embedded in Japanese history and child-rearing practices. Before the last war Japanese women were men's servants. An educator of the time who advocated that upper class women study foreign languages explained that such study would enable them to replace their husbands' books right-side-up on shelves after dusting them.

In a 1976 survey 78 per cent of mothers said that girls should follow majority opinion and suppress individual ideas. (The figure was 54 per cent for mothers of boys, which also indicates Japan's traditional commitment to conformity.) Another survey showed that only 25 per cent of parents hoped their daughters would graduate from university while 57 per cent wanted a college education for their sons.

Women today have dramatically more strength and freedom

## Tapping the oceans

FOLLOWING SIGNIFICANT changes in the world economy and the establishment of a 12-mile territorial waters limit and a 200-mile economic zone, Japan has begun to take a fresh look at the prospects for ocean development. Last March the Japan Ocean Development Council was requested by the Prime Minister to make recommendations on a "basic concept and long-range policies" for the promotion of ocean development. It was the first time in five years that the council had been asked for such recommendations. The council will present an interim report by the end of this year and a full-dress report by next summer covering long-range policies on the development of ocean living resources, energy and mineral resources, the utilisation of ocean energy and space and ocean safety.

Japan has a limited land area of 380,000 square kilometres, making it the 38th nation in the world in terms of territory. If its maritime zones are included, however, Japan rises to 10th position in territory and to sixth position in terms of the area of its economic zone. Japan also ranks highly in terms of its dependence on ocean resources. Sea food provides 50 per cent of the total domestic supply of protein, although much of the fish eaten in Japan is now caught in distant waters. As a major trading nation relying almost entirely on oil imports for its energy supplies, Japan is also very heavily dependent on the oceans.

Japanese expenditure on ocean development within the 200-mile economic zone is estimated to reach ¥25,570bn by the end of the 1980s according to an estimate by the Maritime Industry Council. But expenditure will have to rise very fast indeed for this estimate to be realised. In fiscal 1977 Japan appropriated ¥19.9bn for research into ocean science and technology. This is roughly equal to expenditure by West Germany and France but only one-third of the dollar funds allocated for the same purpose in the U.S. 1976 budget. In view of the increasing importance of ocean development Japan has decided in 1973 to appropriate ¥20bn for such projects as the construction of a bathyscaphe, the development of a seabed oil production system and the development of a fish farm. The bathyscaphe project calls for the construction of a craft which will be able to reach a

maximum depth of 2,000 metres and which will be used to explore for deep sea fish resources, oil and gas.

Japan's annual fish catch is over 10m tonnes or 15 per cent of the world total, but fishing grounds available to Japanese fleets have been shrinking with the establishment of economic zones by other nations and because of environmental problems caused by the pollution of waters close to Japan. Against this background a ten-year plan to build an ocean fish farm was launched in April.

A seven-year programme for the development of a seabed oil production system started this year with an eventual budget of ¥15bn under the guidance of the Ministry of International Trade and Industry. The aim of the project is to drill for oil in depths of more than 300 metres by locating production facilities on the bottom of the sea. The Government hopes to use the results of this research not only in Japan's own offshore oil exploration but also as a bargaining counter in negotiations with oil-producing countries.

In the field of manganese nodule exploration, Japan has been active for some years, starting with the launching of preliminary surveys in 1969. In March this year a Japanese U.S.-based consortium Ocean Management of America in partnership with U.S. Canadian and West German companies successfully lifted 300 tonnes of manganese nodules from the seabed near Hawaii.

Another important field of ocean development for Japan is the development of ocean energy. Japan has for many years converted wave energy into electric power for use on buoys and small lighthouses. Its first large-scale floating wave power plant will begin test runs next August in the Japan Sea. Plant has been completed by the Oceanographic Science and Technology Centre after three years of study. The Centre estimates that full use of the power from waves along Japan's 32,000 kilometre coastline would yield 1.4bn KW of energy.

As an overcrowded nation with a permanent shortage of living space Japan also places hope on the exploitation of ocean space for such activities as chemical plants, power stations, the location of floating airports and leisure facilities such as floating parks.

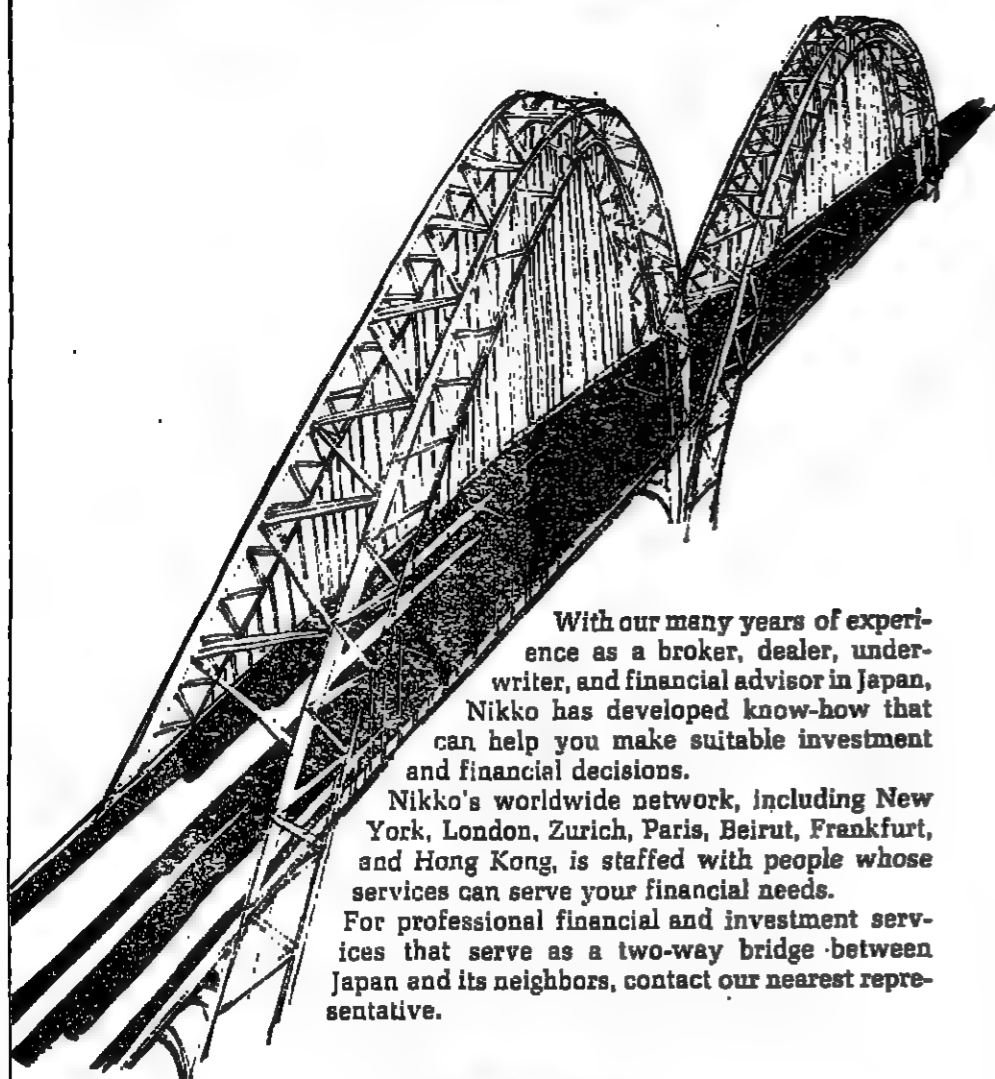
Yoko Shibata



Japanese models displaying locally made Kimonos at the Nishijin Textile Centre, Kyoto.

## NIKKO'S INVESTMENT KNOW-HOW

A financial bridge between nations



With our many years of experience as a broker, dealer, underwriter, and financial advisor in Japan, Nikko has developed know-how that can help you make suitable investment and financial decisions.

Nikko's worldwide network, including New York, London, Zurich, Paris, Beirut, Frankfurt, and Hong Kong, is staffed with people whose services can serve your financial needs.

For professional financial and investment services that serve as a two-way bridge between Japan and its neighbors, contact our nearest representative.

An integrated approach to investment and finance

**NIKKO**  
THE NIKKO SECURITIES COMPANY

Head Office: 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan Tel: 267-2211 Telex: 12410 Cable NIKKOE TOKYO  
Overseas Representative Offices: Zurich: Holbomstrasse 31 8002 Zurich, Switzerland Tel: 50090 Telex: 36113  
Paris: 10, Rue du la Paix, 75 Paris, France Tel: 267-5744 Telex: 60032 Baintel Lebanon  
Overseas Subsidiaries: The Nikko Securities Co., (Europe) Ltd, Royal House, Aldermanbury Square, London, EC2V 7LJ, England Tel: 076-7771 Telex: 89977  
The Nikko Securities Co., (Germany) GmbH, Kaiserstrasse 49, 5000 Frankfurt am Main, West Germany Tel: 25021 Telex: 41681  
The Nikko (Luxembourg) S.A., Grand' Rue, Luxembourg, Grand-Duché de Luxembourg Tel: 4284 Telex: 1346  
The Nikko Securities Co. International, Inc.: New York, San Francisco, Los Angeles  
Nikko de Brasil Limitada São Paulo. Oceanic Capital Corporation Limited Sydney The Nikko Securities Co. (Asia) Limited Hong Kong  
Nikko de Brasil Limitada São Paulo. Oceanic Capital Corporation Limited Sydney

## TRUST AMONG NATIONS

Foreign Exchange  
International Finance  
Securities Investment Consulting  
Agency for Foreign Stocks listed on  
Tokyo Stock Exchange



**YASUDA**  
TRUST AND BANKING

International Department  
Yaesu 1-chome, Chuo-ku, Tokyo  
London Branch  
Garden House, 18 Finsbury Circus, London EC2M 7BP  
New York Branch  
One World Trade Center, Suite, 3925, New York, N.Y. 10048  
Hong Kong Representative Office  
16th Floor, Hutchison House, 10 Harcourt Road, Hong Kong

## Kleinwort Benson

**The first merchant bank in Japan.** Kleinwort Benson—the first London merchant bank to set up a permanent office in Tokyo—has conducted business with Japan for over a century.

Our expert knowledge covers the financing of trade; dealing in Yen, and other foreign exchange; corporate finance activities there; and the Japanese bond and stock markets.

Why not call us?

In London, Charles Arnold—London 623 8000.  
In Tokyo, Antony Stanley-Smith—Tokyo 284 0647.

**Kleinwort Benson Limited**

Established 1792

Head office: 20 Fenchurch Street, London EC3P 3DB.

And in Brussels · Geneva · Hamburg · Paris · New York · Chicago  
Rio de Janeiro · Tokyo · Hong Kong · Singapore · Bahrain · Tehran · Jersey · Guernsey

**YKK zippers**

are

produced in Britain

and

many other West European countries.

**YKK zippers**

are

distributed inside and outside

Western Europe.

\*\*\*

(33 YKK manufacturing plants are now operating in 29 countries around the world.)



**YOSHIDA KOGYO K.K.**  
Tokyo, Japan

YKK Fasteners (U.K.) Ltd. • LONDON (office) Sophia House 76-80, City Road, London E.C. 1Y 8QX. Tel: (01) 253-2077. • RUNCORN (mfg. plant) 340 White House, Industrial Estate Runcorn, Cheshire, Tel: 092-85-77994.



A crowded shopping precinct at East Shinjuku, Tokyo.

## A quart into a pint pot

TODAY, JAPAN'S land use is universally agreed to be a mess. Sixty per cent of the country's people live in 2 per cent of its territory. Houses are piled next to factories and crowded highways. The park system is grossly inadequate; sidewalks are often non-existent, and on Sunday's popular recreation spots look like the London underground during rush hours.

By 1985 Japan's land use will be even worse. This conviction is shared by groups ranging from the radicals besieging Narita Airport to bureaucrats who helped write the Third Comprehensive Development Plan, the document that is supposed to guide Japan's progress over the next decade.

By 1985 the suburbs of Tokyo alone will have sprawled over 72 per cent more land than they covered in 1970, according to official projections. Factories, workshops, rice paddies, highways and homes will be jumbled together just as irrationally as today. The park system will be just as inadequate as it is now, and perhaps more so because of the vast amount of privately owned rural land that will be in the process of conversion to suburbs. The automobile will have sharply increased its share of the nation's transport. Parking lots will have been one of the nation's fastest growing industries. A tremendous portion of the great economic growth that will have occurred by 1985 will have been squandered on a competition for access to the countryside, and the competition will itself destroy much of the countryside that the competitors are seeking.

### Interests

"We cannot expect any leadership," said an economic planner who worked on the Third Comprehensive Plan. "I think we have to expect a certain period in which many different interests will oppose each other, and conflicts among various interests will become keener. After that we might be able to get some learning. In this country, the next ten years is not very hopeful, at least in the field of land use."

Mr. Shigeto Tsuru, the Japanese economist who is new chairman of the International Economic Association, points out that most of the things the Japanese now want to buy are "positional goods" in the sense suggested by the British economist Fred Hirsch. (One of the ironies of Japanese economic growth is that British economists still have considerably more prestige in Japan than Japanese economists have in Britain.) The Japanese want to spend their money on better homes, trips to the countryside, and membership of recreation clubs, Mr. Tsuru notes. But residential land, accessible countryside and urban recreational facilities quickly become congested as more people try to use them. The increasing portion of Japan's GNP spent on them will not produce corresponding satisfaction. The problem is compounded in Japan by the Government's failure to invest in things that do not produce statistically measurable increases in GNP, and its reluctance to take on the conflicts that rational land planning will necessarily involve.

Perhaps the only organisation inside or outside Japan that is optimistic about Japanese land use over the next decade is Herman Kahn's Hudson Institute. Kahn suggests that people competing for "positional goods" are like valley villagers moving to a hillside for a better view.



An orderly queue waiting for a train on the Tokyo underground.

The first one to move—probably a rich person—gets a spectacular view and then finds that each additional house on the hill is a form of pollution. But when everyone has moved, each person still has a better view than when he started. Mr. Kahn suggests that the people who complain about this process are the upper and upper-middle classes. They would like to freeze the movement at the point when they are the only people on the hill.

Mr. Kahn's analogy of village dwellers moving to a hillside is apt. Japanese moving to the suburbs really do get a life in many ways better than their old one. People whose parents once lived in tiny, drafty wooden apartment buildings now own houses with small gardens and air which, while much dirtier than the air in the district before it was suburbanised, is much cleaner than the air in the centre of Tokyo.

But Mr. Kahn's analogy can also be used to demonstrate the wastefulness of this kind of unplanned growth. When the majority have moved from the valley to the hillside, it will be obvious that everyone could have been better off if the move had been better planned. The movement from a compact village dependent on public transport or human feet to a hillside dependent on private cars will destroy the social fabric and many of the amenities that the people knew in the village. The first person to move can enjoy village life anytime he wants by driving into town. But when the majority have moved, the friendly neighbourhood stores may have been entirely replaced by supermarkets with parking lots. Prices may be lower in the supermarkets, but it is an open question whether the lower prices compensate for the changed conditions of service. If old services like bathhouses, neighbourhood theatres or public transport continue to exist in the village, they must charge drastically higher prices to survive on dramatically reduced patronage.

The exodus from Japan's big cities is unlikely to produce the kind of urban blight that a similar exodus produced in America, but already the Japanese complain about the decline of the urban bathhouse and the closing or conversion to pornography of many old neighbourhoods that grew up because they had good public transport are hopelessly congested with cars going to places which do not, and train fares

must rise 20 to 40 per cent every year or two just to keep the Government's level of subsidy reasonably stable. That would mean approximately a quadrupling of fares by 1985 even if other prices in Japan generally remain level.

Ironically, Japanese officials and scholars have come to agree with Herman Kahn's argument that Japan has an adequate supply of land for whatever it wants to do. Although the Japanese are fond of pointing out that Japan and South Korea have the highest ratios of population to arable land in the world, much land that is too hilly for agriculture can be a very pleasant place to live. Including both hilly and flat land, Japan's population density is only 25 per cent higher than Britain's.

Tokyo's endowment of flat land, mountains, and beaches close to its centre compares favourably with that of any other city in the world. And today much of the land around Tokyo remains open. Only 38 per cent of the land within 40 km of Tokyo Station is developed.

Partially, this is because much of the land has been quite inaccessible. It is a myth that Tokyo has a uniformly excellent transport system. Although Tokyo's transit has certainly improved faster than the system of any other city in the world since World War II, many Tokyoites who live within 10 km of their jobs still spend more than two hours a day commuting.

### Speculation

But a more important reason why Tokyo still has so much undeveloped land is that land speculation has fed on itself. Land prices rose at about 20 per cent per year from the 1950s to the oil crisis recession—a rate that was not only far higher than interest rates but also higher than the rise in nominal wages. Most of the undeveloped land remains small rice farms, still in the hands of the peasant families who acquired it at the time of the U.S. Occupation land reforms. Since most of them enjoy farming, most keep their land. Preferential tax rates subsidise them to hang on. And they know it is a good investment. If they want to become rich, they sell a small part for housing lots or an apartment house.

Thus, suburban districts consist of a bizarre scattering of homes and apartment houses amid rice paddies. Most are built to use ground water and septic tanks, but as the ground water

inevitably becomes polluted, local authorities must pay outrageous sums to connect the irrationally scattered houses to piped water and sewers. Providing adequate roads and sidewalks is impossible because the direction of development is decided solely by the order in which farmers decide to sell their land.

The supply of land actually for sale remains low. Urban residential land in Tokyo now costs ten times the price of comparable land in the U.S. A modest house on a lot less than nine metres square can cost ¥25m (\$175,000).

The extreme crowding of the places where most Tokyoites live is also caused partly by the Japanese preference for and subsidy to single-family homes rather than apartments, and partly by the very small portion of Tokyo owned by the Government for parks, streets, and sidewalks. Tokyo has only two square metres of park per person compared to 22.8 square metres in London and 8.4 in Paris.

To some extent, Japan's land-use problems are simply the problems all countries suffer in the modern era. No country has yet learned how to tame automobile-oriented suburban development.

Rapid growth compounds the problems. Market forces can allocate land much more effectively and governments can acquire proper amounts of public land much more easily when growth is slow enough that speculative elements do not enter into the prices. Even if Japan's growth continued at its recent modest rate, however, the speculative distortions in Japan's land use would not work themselves out of the system by 1985. Moreover, rapid growth calls for rapid adjustment in political processes, and Japan has not learned to make these adjustments nearly as fast as it has learned to make industrial adjustments.

Political and moral paralysis and lack of imagination make all the nuisances worse. Japanese planners look admiringly at the land use planning mechanisms of Holland and West Germany, but they know it will be many years before similar measures will be adopted in Japan. "If we want to have planning, there will be very severe conflict between residents," said a Government official. "We have done studies, but there is still hesitation. I don't think in the near future they will succeed in making any new law."

R.W.

## We've spent one-third of our lifetime in the Middle East.

To date, one-third of our 30 years as Japan's leading chemical engineering and construction firm has been spent building petroleum refineries, chemical and petrochemical plants and natural gas processing plants in the Middle East.

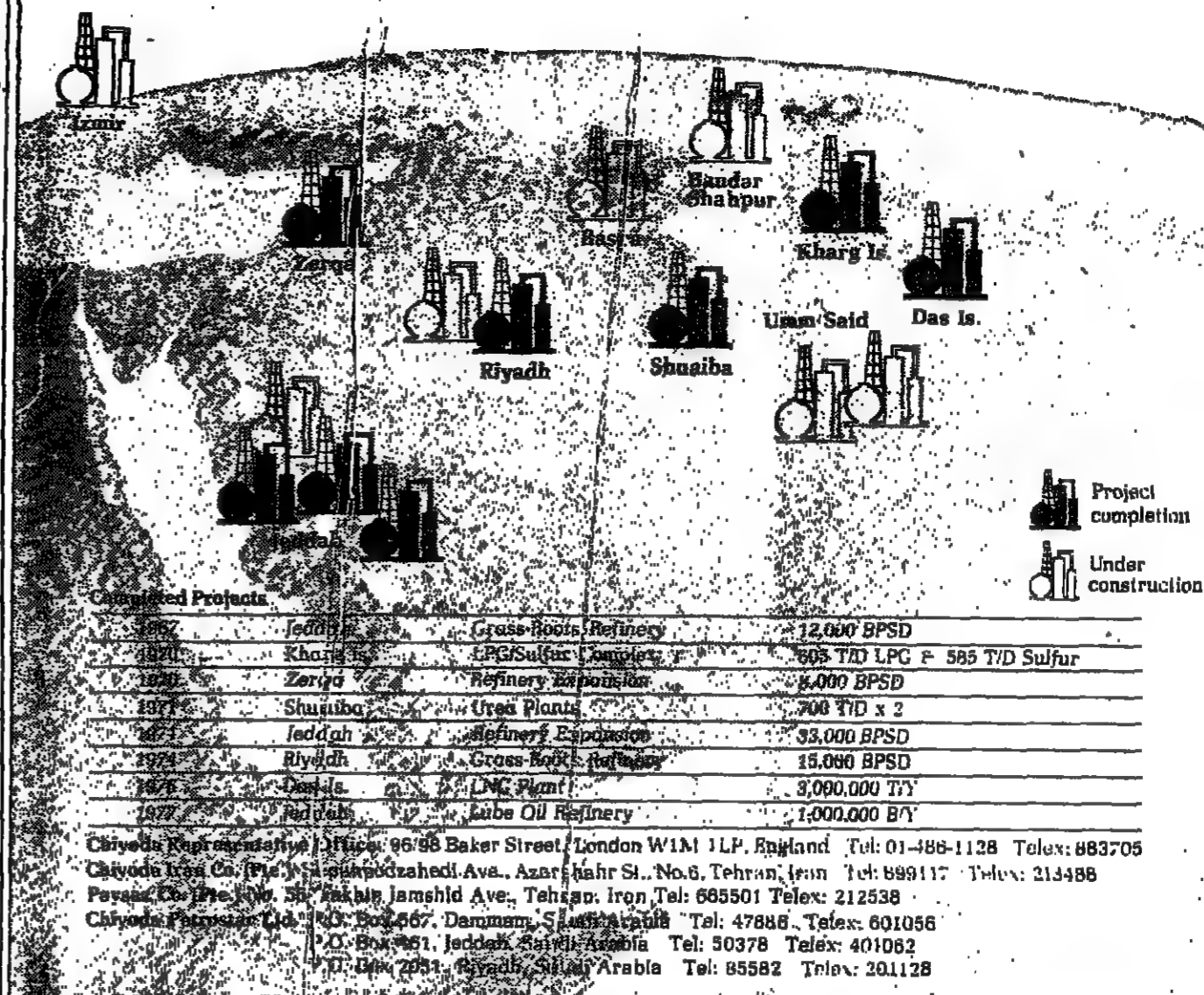
The first refinery we completed in this region was at Jeddah, Saudi Arabia in 1967. Since then, several other projects have been completed. Presently, seven projects in five countries are under engineering/construction.

Chiyoda, with some 3,400 permanent employees, including 1,900 engineers, a data bank of hundreds of past projects and the most up-to-date technologies to draw upon, ensures that every

project we handle — feasibility studies, design, engineering, procurement, construction and start-up — comes within schedule and budget requirements and meets performance and client expectations.

If your next project requires the same expertise that has kept us in the Middle East turning ideas into realities, come to Chiyoda, the process plant specialist ready to undertake turnkey projects on a worldwide basis.

RESPONSIBLE, GLOBAL ENGINEERING  
**CHIYODA** CHEMICAL ENGINEERING & CONSTRUCTION CO., LTD.  
Mita Kokusai Bldg., 4-28, Mita 1-chome, Minato-ku, Tokyo 108, Japan. Telex: J23939



## Condensed Statement of Condition The Fuji Bank, Ltd.

### Condensed Balance Sheet

(March 31, 1978)

	(¥ in 1,000)	(\$ in 1,000)
<b>ASSETS</b>		
Cash and Due from Banks	1,052,979,772	(4,735,686)
Call Loans	53,052,170	(238,597)
Securities	1,564,178,342	(7,034,757)
Loans and Bills Discounted	6,642,010,548	(29,871,871)
Foreign Exchanges	800,629,140	(3,600,761)
Domestic Exchange Settlement a/c, Dr.	237,249,402	(1,067,009)
Bank Premises and Real Estate	140,852,183	(633,471)
Other Assets	53,892,046	(242,825)
Customers' Liabilities for Acceptances and Guarantees	1,098,763,444	(4,941,594)
<b>TOTAL</b>	<b>11,643,707,047</b>	<b>(52,366,571)</b>
<b>LIABILITIES</b>		
Deposits	8,364,292,420	(37,617,686)
Call Money	492,364,855	(2,214,368)
Borrowed Money	714,327,008	(3,212,624)
Foreign Exchanges	51,341,208	(230,903)
Domestic Exchange Settlement a/c, Cr.	183,309,892	(826,669)
Accrued Expenses	160,797,993	(723,175)
Unearned Income	44,202,127	(198,795)
Other Liabilities	50,278,639	(226,124)
Reserve for Possible Loan Losses	89,608,364	(403,006)
Reserve for Retirement Allowances	42,262,683	(190,073)
Other Reserves	20,297,151	(91,285)
Acceptances and Guarantees	1,098,763,444	(4,941,594)
Capital (Paid-up)	89,100,000	(400,720)
Legal Reserves	20,654,917	(92,894)
Other Surplus	221,606,326	(996,655)
<b>TOTAL</b>	<b>11,643,707,047</b>	<b>(52,366,571)</b>

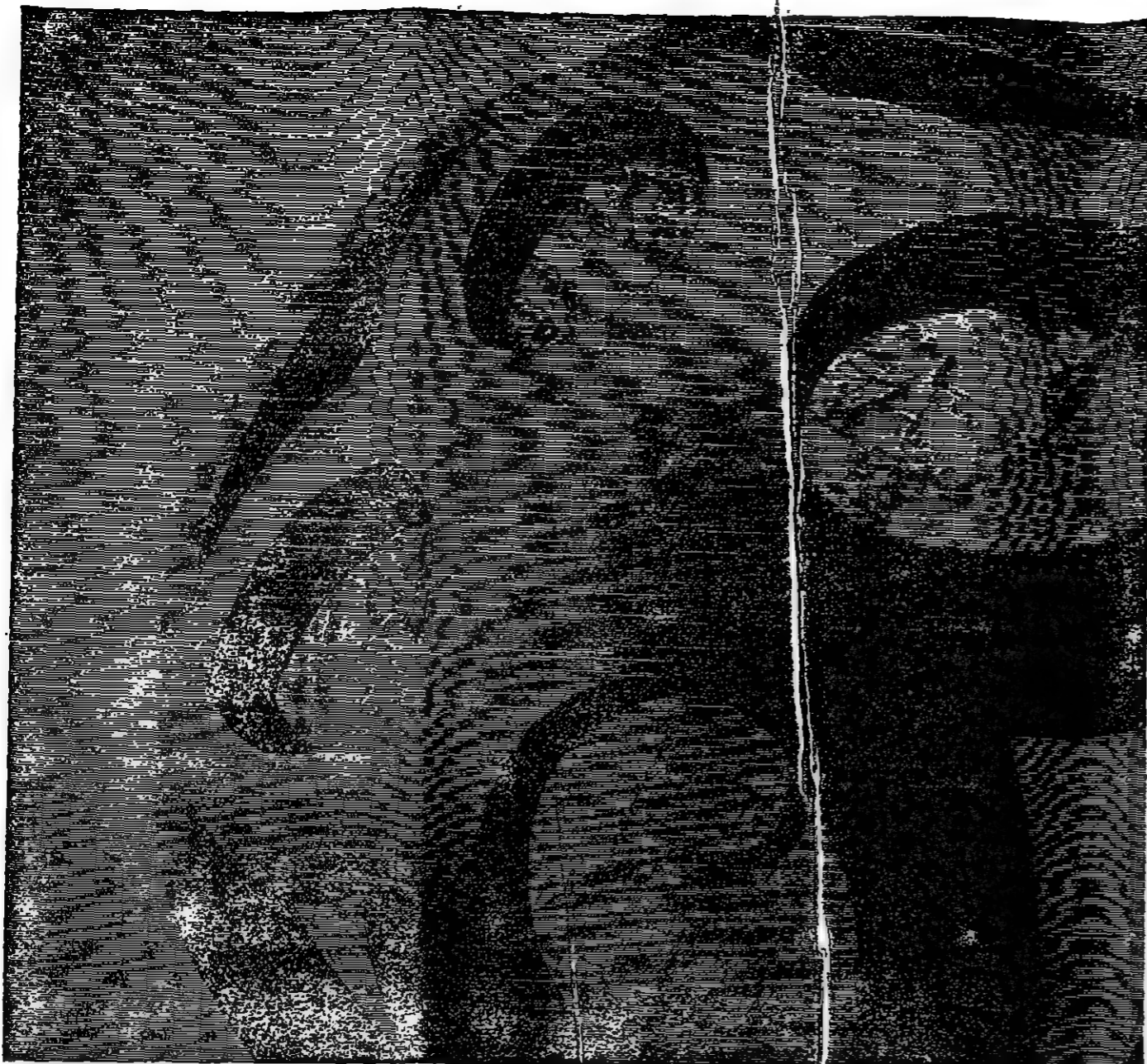
### Profit and Loss Account

(April 1, 1977 ~ March 31, 1978)

	(¥ in 1,000)	(\$ in 1,000)
<b>INCOME</b>		
Interest on Loans & Discounts	436,999,464	(1,965,368)
Interest & Dividends on Securities	108,361,533	(487,347)
Fees & Commissions	24,583,968	(110,564)
Other Income	77,086,805	(346,691)
Transfer from Reserves	6,389,717	(28,737)
<b>GROSS INCOME</b>	<b>653,421,487</b>	<b>(2,938,707)</b>
<b>EXPENSES</b>		
Interest on Deposits	331,505,121	(1,490,916)
Interest on Borrowings & Discounts	72,626,796	(326,633)
General & Administrative Expenses	752,510,536	(3,385,903)
Other Expenses	30,018,000	(135,003)
Transfer to Reserves	203,527	(915)
<b>GROSS EXPENSES</b>	<b>586,863,980</b>	<b>(2,639,370)</b>
Profit for the Term before Tax	66,557,507	(299,337)
Provision for Taxes on Income	36,121,857	(162,455)
Profit for the Term after Tax	30,435,650	(136,882)
Balance Brought Forward from Previous Term	5,197,676	(23,376)
<b>Undivided Profit at the End of the Term</b>	<b>35,633,326</b>	<b>(160,258)</b>

Notes: U.S. Dollar equivalents are made at the rate of ¥222.35 per U.S.\$1, prevailing on March 31, 1978

Japan's Leading Commercial Bank  
**FUJI BANK**  
Tokyo, Japan.



## Bank Bumiputra Gaining Momentum Worldwide

Bank Bumiputra has emerged, within a short span of time, as the most important financial force in Malaysia today. This unique position is attributable to the vigour of its youth and to a philosophy of cautious banking practice. The success of Bank Bumiputra is also due to its active and direct involvement in every aspect of the nation's economic growth. A bank with the capacity to mobilize vast capital financing for corporate and public requirements and with the infrastructure to offer strategic banking services.



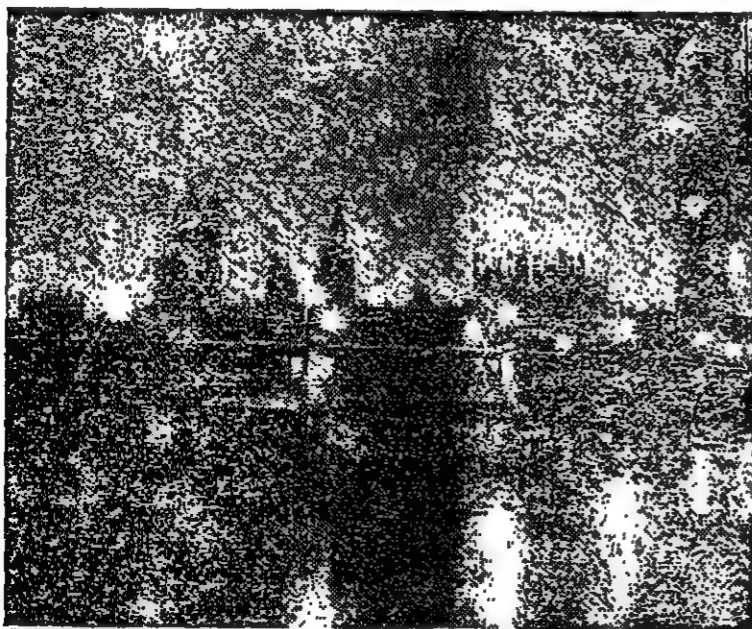
Joint venture arrangements and in-depth investment knowhow. Consistent with its phenomenal domestic growth, Bank Bumiputra has now established a network of offices and correspondents in key market centres throughout the world. A drive to gain momentum worldwide to further enhance international banking services for its clients everywhere.

BANK BUMIPUTRA: THE MALAYSIAN BANK TO KNOW

**BANK BUMIPUTRA MALAYSIA BERHAD**  
INCORPORATED IN MALAYSIA HEAD OFFICE: KUALA LUMPUR

HEAD OFFICE: 21, Jalan Malacca, Kuala Lumpur 01-18, Malaysia. Tel: 03-209 855/110 (lines). LONDON BRANCH: 44, Mark Lane, London EC3P 3EA. Tel: 01-403 2721 (4 lines). Tel: 080212. TOKYO REPRESENTATIVE OFFICE: Japan Press Centre Building, 2-2-1, Uchisaiyama-cho, Chiyoda-ku, Tokyo. Tel: 03-432-1511. THE PUTRAJAYA BRANCH: 100, Jalan Putera, Putrajaya, Malaysia. Tel: 06-251 1111. SUBSIDIARIES: Bumiputra Finance Ltd (Incorporated in Malaysia), Bumiputra Finance Ltd (Incorporated in Hong Kong), Bumiputra Finance Ltd (Incorporated in Japan).

## What Sumitomo Trust does in London, it can do in New York, Frankfurt, Hong Kong, Tokyo...

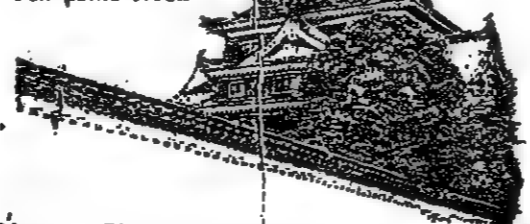


Sumitomo Trust plays an active role in key financial centres of Europe.

Sumitomo Trust, with assets of \$24.3 billion and a key position in the powerful Sumitomo Group, is one of Japan's leading banks. For over half a century we have specialized in providing long- and medium-term financing for every key sector of the domestic economy.

We also offer a full range of international banking services to customers worldwide. Services such as the provision of long- and medium-term loans to corporations and foreign governments, fund-raising in the Eurocurrency and U.S. markets, guaranteeing bond issues floated overseas, etc.

For your financial needs in Europe, America or the Orient, contact the bank that's at home both in Japan and the world. Contact Sumitomo Trust.



**Sumitomo Trust  
& Banking Co., Ltd.**

London Branch: 82/83 Threadneedle Street, London EC2R 8BA Telephone: 01-628-5621/9 Telex: 818924, 8811041 New York Branch: One Liberty Plaza, 91 Liberty Street, New York, N.Y. 10006 Telephone: 212-233-4000 Telex: 222049, 421503 Frankfurt Office: 61 100 Frankfurt am Main, Taunusanlage 11 Telephone: 0611-253071 Telex: 413741 International Department: 34, Yasui 2-chome, Chuo-ku, Tokyo Telephone: 03-278-3151 Telex: 326931, 02226049 Head Office: Osaka, Japan

Insurance.  
Because you really  
never know about that  
next step.



**TAISHO MARINE AND FIRE INSURANCE  
COMPANY, LIMITED**  
1-6-20, Kyushu, Chuo-ku, Tokyo, Japan  
Tel: 03-551-3111 Telex: 724670 KALMSEA

## JAPAN XVIII

Articles on this and the remaining two pages  
of the Survey discuss the views of a number of leading personalities  
in various walks of life on Japan's medium term future. They were written  
by Charles Smith, Douglas Ramsey and Yoko Shibata.

# In the public eye

Toshio Komoto

THE JAPANESE economy has times of high economic growth, is inactive at present. Mr. Komoto says he often finds himself in the opposite camp from the Finance Ministry (for example on the question of whether or not more public spending is called for at present). "However, we normally manage to sort out our differences satisfactorily in the end." What he feels at the moment is that slow economic growth presents various hazards for Japan which could be avoided by a more expansionist fiscal policy.

One danger of slow growth is that unemployment could become uncomfortably large. At the moment says Mr. Komoto there are 1.23m people officially out of work, plus another 3m "underemployed" in industry and about 1m new graduates looking for jobs. A second problem is that economic stagnation could undermine Japan's competitive strength. The problem is not visible at the moment says the minister, "but if we sit still for two or three years our plant and equipment will get old and we will certainly lose competitive edge."

On the subject of uncompetitive industries Mr. Komoto agrees that Japan will have to scrap or freeze capacity in certain sectors in order to get the economy out of recession. He also agrees that the law recently passed on MITI's initiative to encourage capacity scrapping will not do the job on its own. "The industries concerned have to

accept the need for drastic measures—but I believe that most of them do." There are two types of seriously recessed industries, says Mr. Komoto, those which can anticipate eventual recovery and those which are no longer viable in the economic situation in which Japan now finds itself.

Mr. Komoto says the reason why Japan has a huge balance of payments surplus at present is "because the economy is so weak"—in other words there is not enough demand to absorb imports. This brings him back to his theme that the economy should be growing faster. Unless that "emergency imports" (i.e. additional massive purchase of items such as oil, uranium or aircraft) are a good idea.

On trade with Europe Mr. Komoto says both sides have to try hard to arrive at a better balance. "We were urgently requested by the Americans to send a buying mission last spring, which we did with excellent result... if deemed appropriate we will send a similar mission to Europe," Mr. Komoto says that no request for such a mission has been received from Europe. "It is up to them to ask." The mission should be requested by the EEC, he says, rather than by individual European countries to which Japan has already sent purchasing missions in earlier years.

Mr. Komoto says MITI's role in the Japanese Government should be to "get the economy



Mr Toshio Komoto

out of recession," and to provide a "vision" for the development of the economy in the 1980s. "We are working on this now so I can't tell you the theme," he adds, but some main lines have already been identified for economic strategy in the 1980s. One is that Japan should look for something different to do from newly industrialising Asian nations such as Singapore, Taiwan and Korea. "We should stress research on energy and on the conversion of raw materials so as to help the world solve the problems of shortages in these areas. In any case, says Mr. Komoto, Japan will be "drastically" increasing Government investment in technology from next year onwards.

C.S.

Kiichi Miyazawa

THE MAIN obstacle to Japan's growth is not the energy shortage or the size of the budget deficit. It is "a popular movement," says Mr. Kiichi Miyazawa, Director General of the Economic Planning Agency and by all accounts one of the brains in the present Japanese Cabinet. The meaning of this initially odd-sounding statement is actually quite simple. Mr. Miyazawa sees the growth of the Japanese economy in the next few years as being infrastructure-oriented.

"We desperately need more roads and railways, better sewage systems, more schools and hospitals and so on. These things represent a productive form of investment and there is no serious problem about finding the money to build them. The problem is that people have become self-centred; they even oppose having schools built in their vicinities, although naturally if you ask someone whether he is in favour of the Government building more schools and hospitals he will reply that it is a good idea in principle."

Miyazawa says Japan was overtaken by a wave of environmental hysteria at the end of the 1960s which has not died down yet, although it seems to be growing weaker. He notes that the Government's legal right to acquire land compulsorily is hardly ever exercised today. "Somewhere along the line we got the wrong idea about democracy. Democracy

is supposed to be the rule of the majority but has become the violence of the majority." Mr. Miyazawa says he can think of absolutely nothing the Government can do to deal with environmental obstructionism (which he admits was justified when it first hit Japan) except wait for it to die down. One thing that might improve the situation would be for the "progressive" parties to come closer to the prospect of ruling, he suggests. This would oblige them to be more realistic than they seem willing to be at present on environmental issues. The fundamental problem, however, is to teach people to be "cost-benefit conscious" on a community scale instead of as individuals.

On Japan's international economic position in the 1980s Mr. Miyazawa says "we must maintain a current account surplus" (to pay for overseas investment and foreign aid). That in turn means a substantial permanent trade surplus with the U.S. and Europe. He estimates the desirable level of the current account surplus at between \$8bn and \$10bn (about half to two-thirds of the actual surplus in fiscal year 1977). As far as western reactions to this situation are concerned, Mr. Miyazawa says that the important thing is for Japan to recycle the surplus through investment and foreign aid (in other words for Japan to contribute to the development of the Third World). "The Europeans may

complain even if we do this, but the complaint would not be legitimate and it is not something we should worry about. As to the U.S., Mr. Miyazawa says: "I'm more optimistic—the Americans are still growth oriented." Europe, in his view, is not growth oriented but countries like Britain are "the most advanced in the world" and may be setting an example by the "re-integration" of their societies after passing through the experience of industrialisation.

Mr. Miyazawa says Japan faces "a greater possibility of failure than of success" in its dealings with South East Asia but has no choice but to become deeply involved. "Those countries will be 25-30 per cent dependent on us in a few years' time. We have to work with them but we have no experience of working with foreigners" (except for the "unfortunate" pre-war experience of working with Koreans). Moreover Japan has only recently become a rich nation and has to learn "how to spend money gracefully."

The only way to learn is by trial and error. We have already had a chance to learn from our errors in South East Asia—but once is not enough. We can't be the spiritual leaders of Asia for another generation."

Looking at Japan's domestic politics Mr. Miyazawa says the ruling Liberal Democratic Party can maintain its hold on power for at least another ten years "if we rejuvenate ourselves



Mr Kiichi Miyazawa

which we have to do in any case." He notes that the custom of fathers passing on their constituencies to their sons is producing younger LDP Diet members these days, whereas Socialist Party members (who are usually nominated by trade unions) are getting older. His own ambition as a politician is to see the "Showa generation" (i.e. men born during the reign of Japan's present Emperor which began 53 years ago) take over the leadership of the country. "I'm seven years older than Showa and I will be the instrument of this transfer." After that, says Mr. Miyazawa, the time will have come to retire from politics and catch up on 1,500 years of Japanese literature.

C.S.

James Abegglen

JAMES ABEGGLEN is the man who "introduced" Japan Inc. to international audiences in 1965. He picked the expression up from a speech by the Chairman of Mitsubishi Corporation which was reported in a Tokyo English language paper and used it in a lecture to a U.S. business audience. "After that," he says, "the little monster grew." The idea had been to present Japan as an entity somewhat resembling General Motors, with a planning body at the top and vigorously competing divisions underneath. It hardened into the vision of monolithic entity in which the Government has total control over the economic process. Mr. Abegglen naturally does not agree with this version of Japan Inc. What he does continue to believe is that Japan is a dynamic nation whose economy can and probably will continue to grow rapidly. The notion that Japan should stop growing rapidly is "flat out nonsense," he says.

Mr. Abegglen belongs to what he calls the third generation of U.S. experts on Japan, the one that was introduced to the country involuntarily by being made to learn Japanese during the war. After a month as a volunteer trainee in the U.S. Marines in 1942 Mr. Abegglen was asked what he wanted to do and opted for radio communications. Instead he was sent to California to learn Japanese. "They would have sent me to a Japanese school but not from a Japanese teacher because they were all interned in enemy alien camps for another 18 years" he notes.

Finally he joined the newly formed Boston Consulting Group which had agreed to open a Tokyo branch. "It was there at the start when there were 10 or 15 of us huddled together in a Boston office waiting for the telephone to ring." Getting into Japan early gave the company an international visibility that would have been hard to obtain in any other way, in Mr. Abegglen's view, but today being in Tokyo is worth while on strictly local grounds. Just over half the turnover of the Boston Consulting Group KK (the Tokyo subsidiary) comes from Japanese clients, with some of Japan's most famous and powerful groups at the top of the list.

Mr. Abegglen's view of events in Japan in the past three to five years is that the Government made one crucial mistake—failing to let the yen rise in the early 1970s, and suffering from hyper-inflation as a result. Having got into this situation Japan "had to get inflation out of its system" and did so successfully during 1974 and 1975. What followed was "a loss of nerve" which Mr. Abegglen thinks has continued up to the present day. He says it is unnatural for the Japanese but Japan will remain in heavy economy to operate as far below capacity as it has been doing recently. He advocates two years of "drastic short term stimulus" for the economy during which GNP would grow at between 7 and 10 per cent. Looking further ahead he sees continued fast or moder-



Mr James Abegglen

ately fast growth for Japan but with some major structural changes looming. Basic raw materials industries such as aluminum refining will have to be partly "exported" because they are no longer economic in Japan, but a difficult strategic decision has to be made on precisely how much control Japan should relinquish over resources processing.

So far as Japan's international relations are concerned Abegglen does not mince words. Today's big surplus will up to the present day. He says it is unnatural for the Japanese but Japan will remain in heavy economy to operate as far below capacity as it has been doing recently. He advocates two years of "drastic short term stimulus" for the economy during which GNP would grow at between 7 and 10 per cent. Looking further ahead he sees continued fast or moder-

C.S.

## JAPAN XIX

## Professor Edwin O. Reischauer

HARVARD UNIVERSITY Professor Edwin O. Reischauer, by his own admission, has been right more often than not when peering into Japan's post-war future. The 67-year-old former U.S. Ambassador to Japan attributes his good track record to looking on the bright side of things throughout the 1950s and 1960s when Japan's economic miracle was forming itself and few imagined a defeated nation lacking most vital natural resources would soon become an economic giant. By sitting in the spacious living room of his suburban Boston home, Prof. Reischauer is warning of trouble ahead.

"I was on the more optimistic side until recently," he says. "Right now I sense dangers from Japan."

The "danger" comes mostly from the threat of protectionism in the U.S. the country which has long served as the largest single market for the fruits of hard-working Japanese industry in the form of cars, TVs, steel and stereos. This threat "could change things very much over the next eight years," he says.

Prof. Reischauer was born and raised in Japan, the son of Presbyterian missionaries in Tokyo. He graduated from the American high school there in 1927, before returning to college in the U.S. and finally a doctorate from Harvard in the 1930s. President Kennedy appointed him as U.S. Ambassador to Japan in 1961 where he served until 1966.

Unlike Japan's Prime Minister Takeo Fukuda, Prof. Reischauer looks back and likens the present period of increasing world friction over trade and international payments imbalances to the 1920s, rather than the depression years of the following decade when Japanese militarism blossomed and the world witnessed the birth of Nazi Germany.

"World trade hasn't gone to hell but it is throwing up danger signals," Prof. Reischauer says, and Japan is operating out of "synch" with the rest of the world. In the 1920s Japan faced a world of the shrinking trade which eventually



Professor Edwin Reischauer

ruined its best export industries, like silk. Japan began to feel it could not survive without an empire, such as European nations had in order to acquire a larger industrial base. The aggressions of the 1930s followed quickly as the world plunged into economic depression.

"We certainly aren't in the 1930s economically yet, but the late 1980s and early 1990s could become the 1930s," he says.

Japan's problems for the moment have little to do with domestic economic, social or political instability. Prof. Reischauer sees the U.S. Congress becoming more isolationist in this year's elections, and perhaps more so in the next couple of rounds of biannual elections for the House of Representatives. "If the North American continent takes the same attitude toward Japanese imports that Europe tends to take—that's why there are so few Japanese exports even now to Europe—I think it [a crisis for Japan] could come. Not in two or three years but let's say in 1983 or 1985 when a recession comes along," he says.

"We have an unseen hand in the economy which tends to correct itself, but the political process works much quicker," Prof. Reischauer says. The depth of protectionist feelings

in the U.S. last autumn worried particularly because of the U.S. trade representative Robert Strauss in trying to win concessions from Japan in areas like agriculture over six months of talks with Japanese officials as "almost absurd."

In his latest book on Japan, *The Japanese* (Harvard University Press), Prof. Reischauer notes that two decades of traumatic experience involving fanatic indoctrination as the military took over in the 1930s, followed by the physical and spiritual devastation of the war, sweeping reforms during the Allied occupation, and then the most rapid economic growth ever experienced by any nation might be expected to lead to rapidly changing and erratic politics. "Instead it has been relatively stable and extraordinarily predictable," he writes, "perhaps because of its underlying stability of Japanese society."

There are virtually no problems domestically which he feels the Japanese will be unable to resolve in time politically. Instead of supporting spin-offs from the fringes of parties voters are coagulating in the centre. "It is a sign of stable society that everyone wants to walk down the same road. Japanese want to become part of the middle of the middle class," he says. In turn, the problems of growing numbers of elderly and more social welfare will be handled adroitly. He expects lots of sociological changes in the not too distant future, with people working less and less and complete identification by employees with the work place.

Prof. Reischauer predicts that Japan will undergo changes in how it sees itself fitting into the rest of the world over the next few years. "There will be certain concessions on the part of Japan," he says, "but Japan will be the least changed of all the major nations. God knows what France or Italy will be like in ten years," he exclaims.

Militarily, Japan's self defence forces will remain little more than "a supplement" to the U.S. presence in Asia.

Prof. Reischauer feels that the Japanese Government was mistaken in promoting the return of certain northern territories it claims from the Soviet Union, creating an emotional public issue. The Government stirred public feelings on the issue in the 1960s while negotiating the return of Okinawa from U.S. occupation. The U.S. so, conceded, and Russia remained adamant in its position.

In time Japan may hope to be able to negotiate a return of the smaller two of four contested northern islands, Habomai and Shikotan, while relinquishing claim to the rest. "The guiding force will be economic interest in exploiting (jointly) the natural resources of Siberia," Prof. Reischauer says. He expects, however, that Japan will ultimately benefit little from such ventures.

Likewise, Prof. Reischauer sees only marginal improvements in the next decade in economic relations with mainland China. "Except for oil there isn't too much in the way of resources Japan could get from China," he says. Trade with China will increase but will probably remain at less than 10 per cent of all its trade.

Prof. Reischauer says the Japanese will be reluctant to assume leadership in solving world economic and trade problems. "It is hard for them to imagine that," Prof. Reischauer says. "But they are the ones best able to ward off the problems... they are the best organised to take action to avoid these problems."

Richard C. Hanson

## Jiro Tokuyama

JIRO TOKUYAMA is managing director of one of Japan's most prestigious private think-tanks, the Nomura Research Institute (NRI). He is also a contributing editor to *Newswatch*, a friend of the national security adviser, of two U.S. Presidents (Eisenhower and Brzezinski) and one of the best-known Japanese writers and speakers on the future of the Pacific basin area.

All this seems quite an achievement for a man who dropped out of medical studies at the age of 28 (after catching tuberculosis from a corpse) and who had no job at the age of 31. In point of fact Tokuyama could probably not have got where he is today if his career had not got to a normal start—which in the Japanese context means entering a company at the age of 23 or 24 with the intention of staying there for the rest of one's life.

Mr. Tokuyama was born into a family whose members had been doctors for generations but initially refused to study medicine because, as he puts it today, "I wanted to look beyond the Blue Ocean." He spent his high school days, which were also the early years of World War II, studying English and German and absorbing the thoughts of writers such as John Stewart Mill, Goethe and Herman Hesse.

After graduating in economics from Tokyo University he was despatched to the front in Manchuria where he spent six months before returning to Tokyo only to find that, in the aftermath of defeat, "nobody wanted an economist." His father thereupon persuaded him

to take up the family profession but sterilisation was poor in the medical school in south west Japan which Mr. Tokuyama entered. The result was a two-year spell of treatment for tuberculosis when, as he says now, "my life was probably saved by streptomycin." He emerged with a resolution to enter the newly formed Japanese Self Defence Agency (the equivalent of Defence Ministry) because "that was where I felt I was most needed."

Japan in the early 1950s was going through a period in which the orthodox view of defence issues was that the nation should rely on the good intentions of others and permanently forgo weapons. Mr. Tokuyama felt this was a "shaky notion" and decided to sit the Self Defence Agency entrance examination—something no Tokyo University economics graduate had done up to that time.

As a young Self-Defence official, Mr. Tokuyama was sent to the U.S. where he took a Regimental Commander's diploma at Fort Benning. He returned as executive assistant to the Joint Chief of Staff to the Self Defence forces, a job where he came into daily contact with the top U.S. military personnel in Japan.

From that time on Mr. Tokuyama began to build up a formidable list of acquaintances among American top people (or future top people). He met Kissinger and Brzezinski while studying in America on a Rockefeller Fund fellowship in the late 1950s (and subsequently introduced both men to a group

of upcoming Japanese politicians including Mr. Masayoshi Ohira and Mr. Yasuhiro Nakasone, both now major LDP faction leaders and aspirants for the party leadership).

Mr. Tokuyama says he began to feel after his spells of working and studying in the U.S. that something was needed to make the Japanese people "speak up" in world affairs. He concluded that the answer was economic growth and accordingly switched careers to become an official of the Government-run Japan External Trade Organisation. As a JETRO official in New York Mr. Tokuyama covered "the whole field" of Japan-U.S. relations for five years. After that he was asked to join Nomura research whose New York office he headed before coming back to Tokyo as joint managing director.

The "Tokyo group" of NRI, which is managed by Mr. Tokuyama from his office halfway up one of the new skyscrapers in Shinjuku, looks at macroeconomic prospects for Japan and the world, studies the international monetary situation (including the yen exchange rate) and does company and industry analysis. Its short and medium-term projections are private to Nomura Securities but the Institute has published its vision of Japan in the next century and Mr. Tokuyama is very willing to talk about his own view of the future.

He says a revolution in communications is needed to "shrink" the Pacific Basin area and set up relationships among its various peoples of the



Jiro Tokuyama

kind that exist in Western Europe. He sees this coming with drastic cuts in air fares and with the changeover from copper to optical fibre as the standard material for telecommunications links.

In world affairs Mr. Tokuyama sees troubles in the short run (Africa is "in a mess") but the Middle East is "chaotic" but a brighter future eight or ten years ahead. What the present shows, he says, is that nation States can no longer solve anything on their own. "We need globalism, but we cannot move straight to that. What comes between is regionalism, but of an open not a closed variety." He admits that after thirty years as a government servant and "professional futurologist" he remains a romantic. He is firmly convinced of his basic notion, however, that the next focus of industrial growth in the world is the Pacific.

C.S.

## A few words about Tokai Bank's expanding international operations.

As you might know, Tokai Bank is one of the leading banks in the world with over 15,000 employees and 200 offices established in Japan itself.



At present we have over 20 offices and affiliates around the world, and we just opened in Toronto. And recently opened in Hong Kong.



It probably doesn't surprise you we're modern, progressive, and one of the first banks in the world to utilize on-line computerization in our banking operations.



Currently we're serving the world through loans. And also lending something as valuable as money. Financial advice gained through over 100 years of banking experience.



What may surprise you is our commitment to international banking.



So don't just think of us as a Japanese Bank. Think of us as a bank that serves Japan and the world.



**TOKAI BANK**  
**TOKAI ASIA LIMITED**

Head Office: 21-24, Nishiki 3-chome, Nakai-ku, Nagoya. Tel.: 052-211-1111 Overseas Networks: (Branches & Agencies) New York, Los Angeles, London, Frankfurt; (Representative Offices) Toronto, Mexico City, Sao Paulo, Paris, Tehran, Sydney, Singapore & Jakarta; (Subsidiaries) Tokai Bank of California, Tokai Bank Nederland N.V., Tokai Asia Limited; (Affiliates & Associates) London, Paris, Bangkok, Hong Kong & Sydney

## Are Your Sales Doing Well in Japan?

We know you reactions to this question are mixed. But it is a matter of fact. Japanese manufacturers have been exploiting this powerful consumer market for several decades now. On the contrary, worldwide brands, no matter how famous they're overseas, do not offer any guarantee of instant sales in Japan.

Our wholly-owned advertising research institute has been for years now polling the entire consumer market of this affluent land to find out what Japanese and foreign brands are popularly known and selling in Japan. A 1976 poll among 2,000 random selected consumers revealed several impressive cases of successful penetration, where, of course, the right advertising planning and effort has been done.

In the automobile market, Jaguars were well known by 69.9% of the polled consumers compared with Japan's Toyota Corolla 91.4%, in whiskeys Cutty Sark was popular among 66.9%, Lipton tea 96.6% and Burberry men's coats by 77.9%. In luxury goods, finally, Rolex watches clinched 67.9% and Dupont's ST lighters 49.2%.

We, at Japan's prime economic advertising medium, definitely think that advertising is a vital part of sales promotion activities of foreign products entering this market. Nihon Keizai Shimbun's 1.7 million daily readers throughout the country are also selected business leaders each one in his domain, and our specialised publications penetrate deep in the complex distribution and manufacturing setup of the country.

We have served as a launching pad for several overseas governments, service and manufacturing companies when getting into Japan, and we rate ourselves the most popular media for institutional advertising for products and service-oriented organizations. Our word is instantly carried to all the vital economic centres of the country, and our readers have been throughout loyal, affluent, sophisticated buyers of what best the world offers.

**The Nihon Keizai Shimbun, Inc.**  
1-9-5 Otomachi, Chiyoda-ku, Tokyo 100, Japan  
Tel: 03-270-0251 Cable: NIKONKEIZAI TOKYO Telex: NIKKEI 122308, 124798

London Office: The Financial Times Bldg, 10 Cannon Street, London E.C.4, U.K.  
Tel: 246-7894  
Advertising Representative: Publicitas Limited, 525/527 Falmouth Road, London, S.W.6 1HF  
Tel: 01-385 7712/4/5/6/7/8

POPULARITY RATES AMONG JAPANESE CONSUMERS (%)		
Passenger Car	Wrist Watch	Tea Bags
Toyota Corolla 91.4	Seiko 98.9	Nitto 87.9
Jaguar 69.9	Rolex 67.9	Lipton 96.6
Whisky	Men's Coats	Gas Lighter
Suntory Old 94.4	Sanyo 80.8	Maruman 93.1
Cutty Sark 66.9	Burberry 77.9	ST Dupont 49.2

LIST OF NIKKEI PUBLICATIONS		
Name of medium	Circulation	Readership
The Nihon Keizai Shimbun (Nikkei Economic Daily)	1,733,095	Top management
The Nikkei Sanyo Shimbun (Nikkei Industrial Daily)	157,034	Executive level
The Nikkei Ryutsu Shimbun (Nikkei Marketing Journal/SVI)	227,924	Top retailer
The Japan Economic Journal	33,918	International businessmen

(\*May '78, ABC Japan)



**The Nihon Keizai Shimbun, Inc.**  
1-9-5 Otomachi, Chiyoda-ku, Tokyo 100, Japan  
Tel: 03-270-0251 Cable: NIKONKEIZAI TOKYO Telex: NIKKEI 122308, 124798

London Office: The Financial Times Bldg, 10 Cannon Street, London E.C.4, U.K.  
Tel: 246-7894  
Advertising Representative: Publicitas Limited, 525/527 Falmouth Road, London, S.W.6 1HF  
Tel: 01-385 7712/4/5/6/7/8

NAME \_\_\_\_\_  
POSITION \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_

\* To get a sample copy of Nihon Keizai Shimbun, please fill in this coupon and send it to Marketing Dept., The Nihon Keizai Shimbun, 1-9-5, Otomachi, Chiyoda-ku, Tokyo 100

NAME \_\_\_\_\_  
POSITION \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_

FT July '78

## Father Robert Ballon

"THE JAPANESE believe that the apocalypse is today or tomorrow," says Father Robert Ballon SJ. "They have been living on the brink of some kind of catastrophe ever since I got here." He thinks the next apocalypse for Japan, sometime in the mid-80s, could be when the Japanese find they have gone out on a limb on the question of economic interdependence and other nations don't want it. "Then again, Japan will certainly be in the forefront of the attention of the Third World during the 1980s. Europe, on the other hand, seems to be more and more shut up in its own little corner."

Father Ballon, a University of Louvain economics graduate turned Jesuit priest, turned consultant on Japanese business practices, never chose to come to Japan. He was "told to volunteer" by his Belgian superior when the second batch of post-war recruits was being sent out in 1947 to refuel the Society's Japanese operation.

Ballon was only half-way through the prescribed 17 years of training when he found himself in Tokyo "trying to learn of Japanese from people we picked up off the street." He did not finally get through with his education until 1958 when he majored in economics (for the second time) at an American president of Fuji Xerox and the

university with labour as his special subject.

With these qualifications he became treasurer of Sophia University in 1964 when it started running seminars for foreign businessmen, and for Japanese executives of foreign companies in Japan. The next step was the publication of a series of books on "doing business in Japan" which Father Ballon edited and helped to write (usually in collaboration with one or more Japanese partners).

More recently the Institute has been turning out "bulletins" on such themes as "the role of foreign banks in Japan" or "how the Japanese bonus system works." It has also been famous for its case studies, some written by top Japanese businessmen such as the current second time) at an American president of Fuji Xerox and the

university with labour as his special subject.

With these qualifications he became treasurer of Sophia University in 1964 when it started running seminars for foreign businessmen, and for Japanese executives of foreign companies in Japan. The next step was the publication of a series of books on "doing business in Japan" which Father Ballon edited and helped to write (usually in collaboration with one or more Japanese partners).

More recently the Institute has been turning out "bulletins" on such themes as "the role of foreign banks in Japan" or "how the Japanese bonus system works." It has also been famous for its case studies, some written by top Japanese businessmen such as the current second time) at an American president of Fuji Xerox and the



Father Robert Ballon

Fr. Ballon says he is sometimes accused of over-stressing the differences between Japan and the West and ignoring the similarities. The fact is, he says, that foreign businessmen can easily spot the similarities for themselves but have to have the differences pointed out. Some companies that set up in Japan start with a translation of their head office employment regulations and spend 15 years trying to make it work before reaching the conclusion that they ought to study the Japanese employment system.

On the subject of his case studies, some of which are controversial themes, Ballon says the aim is not to antagonise. "It's no good up setting people too much if you are trying to build bridges between them." On the other hand some delving into touchy subjects is necessary if the gap between Western and Japanese business practices is even to start being bridged.

He says the Japanese have been open to the outside world (in the sense of learning from it) for the past 2,000 years but "we are now at the historic turning point" where Japan is starting to go out and leave its mark on other countries (through foreign investment). "We lack even the barest know-

C.S.

## JAPAN XX

## Herman Kahn

"YOU CAN'T tell Japan to grow," says Herman Kahn. "It's like telling a bear to dance." Yet Mr. Kahn, perhaps the best-known futurologist in the world, is doing just that—telling attentive Japanese, including Prime Minister Takeo Fukuda, that Japan can and should grow at a fast clip. "In a few years Japan will pass the U.S. in GNP per capita," the stocky head of the Hudson Institute maintains, "and the Soviet Union in total GNP. It's a policy issue how soon that happens."

Not known for modest expectations of the Japanese economy, Mr. Kahn is quick to admit that his prescription for Japan-like growth aims at creating a self-fulfilling prophecy actually works. The educated Japanese, is doing "yonzensho" plan, like Mr. Kahn suggests that the plan Japan will pass the U.S. in GNP per capita, the stocky head of the Hudson Institute maintains, "and the Soviet Union in total GNP. It's a policy issue how soon that happens."

## Revision

It's aim? "To let Japan catch up in ten years" to the quality of life in most Western countries, he says. It would call, Mr. Kahn says, for a revision of Japan's economic structure with an initial catch-up phase of perhaps 15 per cent GNP growth the first year, declining to an average of 9 per cent to 10 per cent growth per year for the first five years, and trailing into stable growth of between 5 per cent and 7 per cent for a decade or so. Can it be done?

Mr. Kahn and his colleagues at Hudson Institute seem convinced of it. The real constraints on growth, as they see it, are institutional and political ones. "I'm afraid this generation of leaders is too satisfied to do what needs to be done," Mr. Kahn says. Ironically the Hudson prescription for stimulating growth is to "revitalize" the Tanaka plan, an ambitious proposal put forward in the early 1970s by the former Prime Minister, Mr. Kakuei Tanaka, for "remodelling" the Japanese archipelago. The focal point of that (admittedly sketchy) blueprint was decentralisation and the improvement (to Western levels) of housing, infrastructure, social services, etc. The plan was floated not long before the oil crisis and few have sought to resurrect it since.

The real constraint, Mr. Kahn



Mr. Herman Kahn

complaints, is the timidity of Japan's leaders and bureaucrats. "You have got to make it a national purpose because you are asking people to give up their ancestral plots," the futurologist elaborates. "I think Fukuda would like to do something like this, but he is too low-key. To push this through successfully, Japan needs strong leadership." Mr. Tanaka, perhaps?

D.R.

## Tadao Aoi

THE MOTTO of Mr. Tadao Aoi, president of Marui Company, Japan's leading and fastest growing credit chain store, is "keep your stomach 80 per cent full". In a slightly looser translation, what the motto means is "Let's not be too greedy." Mr. Aoi applies it to the business strategy his company expects to follow in the 1980s when he believes consumer spending will grow more slowly in Japan than in the hectic '60s and early '70s.

Marui could hardly be accused of having been content with an 80 per cent full stomach during the high growth period. In 1955 when Mr. Aoi joined the company which his father had founded in 1931 its annual turnover was only ¥1.2bn (about £1.2m, at the exchange rate of those days). Last year turnover, through a vastly larger number of stores, was ¥186.35bn (about £478m, at today's exchange rate). Turnover at a single Marui store today is over four times the turnover of the whole group in the mid-fifties.

According to Mr. Aoi any company could have matched this rate of growth during the 1960s if it had been willing to borrow the necessary funds

longer feels the need to court them as energetically as in the past. Two weeks ago the company ceased aiming its TV advertising campaigns explicitly at young customers and directed them instead towards the older generation where it is felt that sales potential still lies untapped.

## Behind

In spite of the way it has developed in the past 15 years credit retailing in Japan is 10 years behind the U.S., says Mr. Aoi. Its "catch-up" potential, however, is high. In the 1980s credit retailing will cover almost the entire range of retail distribution and "no business without credit" will be the order of the day.

Mr. Aoi thinks the emergence of new credit retailers is good for Marui but is confident that as one of the first in the field his company will retain a lead in terms of experience. One of Marui's special strengths is its computerised creditability checking system which levelled up its payment collecting rating to 98.7 per cent (one of the highest in the world). Asked how this rate of collection is

attainable, Mr. Aoi says the computer system works well but fundamentally it is "because the Japanese are honest."

Mr. Aoi takes a negative view of the growth of another type of retailing outlet—the non-credit chain store. Superstore chains, he says, are behaving as if the high-growth era were still in existence, using huge amounts of capital to expand their floor space. This will merely result, he warns, in too heavy a reliance on bank borrowing (and on overseas capital issues), which in turn will lead to management problems.

The average debt-equity ratio of superstores today is 64 per cent, he points out, while that of Marui is 26 per cent. In the 1980s Mr. Aoi believes, Japan's traditional department stores, recently somewhat overshadowed by the growth of supermarkets, will come back into their own thanks to low debt burdens and experience. Superstores on the other hand will find themselves in a period of consolidation after the high growth of the '70s.

Mr. Aoi has one more hope for the '80s—that Japanese



Mr. Tadao Aoi

shoppers will become discriminating instead of "impulsively" buying imported goods on the strength of brand names as they do today. Becoming more discriminating does not of course mean buying less. Marui is proud to claim the highest turnover in European famous brand names of any Japanese retail group. It expects to do even more in the '80s to help Japanese buyers know and understand foreign products.

Y.S.

## Hisao Kanamori

MR. FUKUDA wants people to work hard and spend less

... I can't understand his economics." So says Hisao Kanamori, president of Japan Economic Research Centre, the independent agency which made a name for itself in Japan's old high economic growth days by predicting a higher growth rate than anyone else (and usually being right about it).

Mr. Kanamori's point about today's economic situation is that the economy needs a powerful stimulus to restore it to somewhere near normal operating levels, but Mr. Fukuda seems unwilling to give it. He advocates a massive tax cut of the order of ¥2,000bn to supplement the effects of the big public works spending programme on which the Government is now engaged. He disagrees with Fukuda that people would simply save the additional money they would receive through a tax cut.

The current consumption rate (i.e., the percentage of earned income which is being spent)

is 75 per cent, he says, but the marginal rate of spending would be much higher than this. In other words the tax cut would stimulate demand and this would help put life back into the economy.

Asked whether energy shortages or the weight of unused capacity represent the main potential restraints on Japan's economic growth over the next years, Mr. Kanamori replies: "Neither. The only serious limiting factor, as he sees it, is the Ministry of Finance because it declines to accept an increase in the size of the budget deficit which would be required to finance a tax cut."

He says that the ratio of borrowed funds to total spending could be allowed to rise to 40 per cent without any very dire consequences. (It is expected to be around 37 per cent in fiscal year 1978 but until the end of last year the Finance Ministry was swearing that the line must be held at 30 per cent.)

There would be a problem of

surplus money supply if the Finance Ministry increased the issue of government bonds to cover this deficit but only if the Government stuck to the present system of a tightly regulated money market in which interest rates are fixed by "guidance" from the Bank of Japan. If interest rates were liberalised and the bond market was widened to encourage the entry of private investors the additional issue of government bonds could be absorbed, Mr. Kanamori argues.

## Safe

He claims that stimulating demand in the current under-used state of Japanese industrial capacity would be safe enough so far as inflation is concerned. "Inflation in Japan belongs to the cost-push variety," says Mr. Kanamori. "Cost pressures are very moderate at present, mainly because of the moderation shown by unions in the last few rounds of wage settlements." Mr. Kanamori admits that

there is probably no top member of the Government who agrees with him on the need for a tax cut. "Komoto (the Minister of International Trade and Industry) seems to want more public works spending. I like that too but I think it is not enough on its own." Mr. Miyazawa, the Director-General of the Economic Planning Agency "understands everything that is happening, but perhaps he is too intelligent to be a politician." Asked about Mr. Masayoshi Ohira, the secretary general of the Liberal Democratic Party and a possible future Prime Minister, he says: "I prefer Fukuda. I disagree with him but at least his ideas are clear." He rates his own influence on policy making by the present Government as "small but not negligible."

Mr. Kanamori's view on the medium-term outlook for Japan's economy is consistent with his short-term view. There will be no energy shortage over the next seven or eight years.

he reckons—indeed there will probably be a surplus. The economy can grow at 7 per cent per year (real terms) if the Government is prepared to give it the necessary prodding, but there will be some painful adjustments in the "structurally recessed" industries which have been made uncompetitive by the recent appreciation of the yen.

Mr. Kanamori says the new law under which the Ministry of International Trade and Industry is hoping to mastermind the scrapping of capacity in industries such as aluminium open hearth steel and chemical fertilisers won't work, but economic laws will work to cut these industries down to size. "They'll find they have to cut back sooner or later—if they don't they'll go bankrupt."

Mr. Kanamori says Japan's big balance of payment surplus will cease to be a problem after a year or two "but I don't agree with the American view that we need a current deficit or a zero balance. We have to invest abroad as part of the restructuring of our economy. To pay for that we need a moderate cur-



Mr. Hisao Kanamori

rent account surplus." He says the yen will appreciate steadily through the '80s, pushing Japan into more sophisticated production sectors like industrial plant. On Europe he says: "I am not optimistic. With the exception of West Germany those countries are too conservative—they don't seem to like adventures."

C.S.



## Most of the 114 million people in Japan have something from Europe. AND THEY WANT MORE!

Most Japanese have something from Europe: a bottle of Chanel, a Dupont lighter, Scotch whisky in the cupboard, sunglasses by Dior, suits by Burberry's, or skis by Rossignol.

Europe means romance to the man in the streets of Japan. And something from Europe brings that feeling a little closer for him.

That is why Mitsui has been so successful in importing European goods. But it seems only to have whetted the appetites of Japanese consumers.

They want more goods from Europe. And Mitsui wants to give them more.

This year, imports from Europe will grow more than 35 percent, just as they grew 18.6 percent last year. More people drink J & B Scotch whisky — imported by Mitsui. Bisquit cognac sales are up. The same is true with King Oscar sardines, Martini & Rossi vermouth, Lipton tea, Dofu cheeses, and a host of other Mitsui-imported brands.

If there is no proper room for selling a product Mitsui thinks will do well, a special one is made. As, for instance, with Ikea furniture from Sweden. Mitsui pioneered the idea of a furniture supermarket just to sell Ikea products.

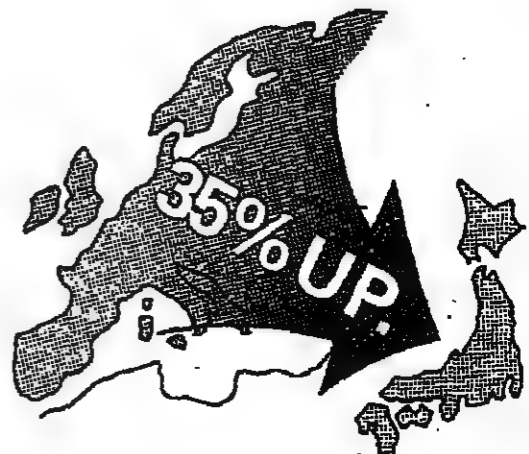
British Leyland also is familiar with the

organizational ability of Mitsui. Leyland Japan, a joint venture between British Leyland and Mitsui, has driven right into the Japanese market with Jaguars, TR7s and MGBs. The Leyland Japan showroom in downtown metropolitan Tokyo always draws a crowd of shoppers.

Mitsui brings European fashions to Japan with Valentino, and seven-colour offset printing presses by Nebiolo.

You see, European products are very much a part of everyday life in Japan, adding a distinctive flavour to the Japanese lifestyle.

If you have a product you think is right for Japan, call Mitsui — specialists in importing from Europe.



Contact your nearest Mitsui office:

**MITSUI & CO., LTD.**  
1-1, Chommechi 1-chome, Chiyoda-ku, Tokyo, Japan  
Dept. PR, C.P.O. Box 522, Tokyo, Japan MITSUI TOKYO TEL. 22253

**MITSUI & CO. EUROPE GROUP**  
Mitsui & Co. Europe Ltd.  
Temple Court, 11, Queen Victoria Street, London EC4N 4JH  
Tel. 01-600-1771, Telex 08553

Western Europe  
London 01-600-1771  
Dublin 01-771-719  
Athens 3602425, 3619738  
Oslo 41294475, 413479  
Bergen 05-216600

Stockholm 081 23-48-70  
Helsinki 625954, 625956  
Düsseldorf 87981  
Hamburg 248491  
Munich 397021  
Vienna 57-46-01, 57-71-26

Brussels 511-91-20/9  
Amsterdam 242236/8  
Paris 723-78-71  
Milan 780251  
Lisbon 656101/5  
Madrid 111 455-1500

Valencia 196 154-6200  
Barcelona 193 218-3141  
Eastern Europe  
Berlin 2071896, 2071149  
Warsaw 29-32-11  
Prague 25 69 92

Bucharest 143783  
Sofia 88-34-19  
Belgrade 645-426  
Moscow 203-1502  
Kiev 3562  
Algiers 63-38-787

Casablanca 26-17-78  
Lagos 24192  
Lusaka 74222/3  
Kuala Lumpur 3562  
Nairobi 24732/3  
Representative Office

# Adding some spice to Dutch options

BY CHARLES BATCHELOR AND MARGARET REID

THREE MONTHS after the Dutch broke new stock market ground in Europe by launching their traded share options exchange (EOE), extensive plans are being laid to broaden the appeal of the new market, where business so far has been pretty quiet.

They should be of considerable interest to the City of London, where the Stock Exchange's own smaller traded share options market, less than three weeks younger than the Amsterdam-based EOE, is now ten basic shares for option trading. These include Shell Transport, British Petroleum and Imperial Chemical Industries.

The present strategies for gradual expansion in both the London and Amsterdam options markets show that sponsors of these new ventures have not been too discouraged by the slow start to business and the fact that the man-in-the-street and investing institutions have so far warily tended to regard the new markets as very resistible.

The most intriguing new project in Amsterdam is to add the facility for trading in "put" deals to the present one for dealing only in "call" options—through which investors can buy and sell the right to purchase shares at a fixed price over a future period.

A put is the reverse of the call deal. It confers the right to sell shares in future at a fixed price. The party at the other end of the original transaction (the writer) agrees to buy—say at price X—shares offered to him over a future time. Development of this side of the market could well add more sparkle to a traded share option exchange when the underlying share markets are themselves rather

subdued, as they have been recently. It would offer the chance to make money (or, of course, lose it if he judges ill) out of tired stock markets from which investors are normally glad to be absent if they can be.

Put dealing is often thought of as more complex and risky than call trading. And while this feeling may not be very rational, the fact remains that it took the Chicago Board Options Exchange, the pioneer of share options trading, four years after it started trading call options in 1973 before it launched limited put dealing in 1977. Since then, the embargo imposed by the Securities and Exchange Commission on any development of options trading, pending the completion of U.S. share options markets, has effectively hampered the growth of put dealing in the U.S.

The Dutch are, however, not troubled by the U.S. situation, and are going ahead with plans for the introduction of put trading on the EOE, subject to necessary approvals, in about October, in the hope that the facility will afford an important stimulus to the exchange's business.

## French shares

Another project to which the EOE is giving priority with the aim of boosting turnover is to add option dealing in French, and perhaps German, shares to the present 24 Dutch, American and British shares in which option trading can now take place. (The three British stocks, ICI, BP and GEC, are not yet actively traded, pending the solution of certain problems concerning dealing and the supply of prices). It is widely thought that such

French leaders as Michelin, Peugeot and Pechiney could form the subject of option and the more modest-sized venture on the floor of the Stock Exchange, it is too early to judge the long-term prospects for the two markets. Originally, they were conceived as a single venture, but British problems over cost and the regulation of an enterprise outside the Stock Exchange led to the split into two markets, one Dutch and one British, with

publicity campaign, and a helping hand for the formation of a financing company which would back market makers—of

The European Options Exchange in Amsterdam has got off to a slow start. Extensive plans are now being laid to broaden the appeal of the new market

whom there is at present a worrying scarcity on the Amsterdam options scene—on other aspects of the EOE's plans to quicken business after the holiday season. They form part of a planning approach which Dr. Tjerk Westerp, the former Transport Minister who is a member of the EOE managing board, describes, in a phrase borrowed from General de Gaulle, as "tous azimuts", expansion all round.

All the planned new developments—like the addition of new shares for option trading—need the approval of the supervisory committee set up by the Dutch Finance Minister to oversee the operations of the new options exchange. The committee is headed by Professor Pieter Korteweg, Professor of Monetary Economics at Erasmus University, Rotterdam.

Only three months after the

change. However, not all its ambitious original plans have been realised and the EOE is now reluctant to name target dates for achieving a particular level of turnover or number of option listings. But the exchange is learning from the mistakes of the first few months and both traders and the managing board are optimistic about the future.

Meanwhile, seminars for market experts have been held in Amsterdam and more are

planned in other European cities. In the opinion of some members of the market, the Dutch banks could do more to generate business through their branch offices. In fact, the banks appear somewhat divided about how far the new facility to trade in options is suitable for their investing customers.

Daily turnover on the EOE now averages only some 700-800 contracts a day and the visitor to the market in the converted corn exchange off Dam Square finds a tranquil scene. The rather small assembly of dealers is often absorbed in chat or newspaper reading, though the calm is frequently broken by sudden noisy outbursts of trading.

The current level of trading is far short of the 7,000 or so contracts a day initially looked on as a break-even point which might be reached at the end of the first year's operations next

spring. Now, that figure looks unlikely to be achieved so soon, but senior people in and around the exchange hope that, with the various measures planned to boost business, activity will expand to several thousand contracts, perhaps up to 7,000 a day, by the second half of 1979.

The exchange's managers have recently been developing and converting the supervisory committee to a surety for the stocks which will give a good options turnover.

The listing of KLM, the Dutch airline, has been the success story of the EOE. KLM was introduced shortly before it announced its first dividend for seven years and turnover in it rose to around 400-500 contracts a day. The airline often tops the list of most-traded options, though the exchange has recently intervened to curb trading in certain options related to KLM prices well above the market price, in the interest of checking speculation in the underlying stock and creating fair trading conditions.

The EOE has also recently listed AKZO and Hoogovens, respectively in the depressed fibres and steel industries, after initial reluctance because of their patchy dividend record over the past few years. This move to broaden from the blue chip stocks first listed is generally considered a refreshing sign.

The more recently listed U.S. stocks—Boeing, Occidental Petroleum, Schlumberger, Polaroid and Xerox—will also, it is hoped, provide more activity after the disappointing turnover in such traditional issues as American Telephone and Telegraph, Sears Roebuck and Citicorp.

In spite of fears that the option idea would not appeal to

the private investor in Europe, this scared away some 20 mar-

public participation (dealing by ket makers, personal and institutional operators, as distinct from the market's professionals) has been around 46 per cent of the total, roughly the same as in Chicago when U.S. markets had their brief spurt in April 1978. The exchange is and May—has been the lack of turnover on the EOE, creating a "chicken and egg" situation of too little business, too few market makers, shrinking business etc. Meanwhile, two Dutch banks, Pierson Holding Pierson and Nederland Middenstands-Bank (NMB) are at present effectively acting as market makers, enlarging the capacity of the market.

One method by which the EOE hopes to break the vicious circle of scarcity of market makers and business is by encouraging the setting up of a financing company—perhaps with investing institutions and wealthy individuals as shareholders—to back market makers. The idea is to channel venture capital, of which there is thought to be plenty available, into market making operations, though there would be no question of the EOE's financial participation in the proposed company.

One of the key questions still facing the EOE is whether it should seek to register with the U.S. Securities and Exchange Commission. This would allow traders to match deals on the Amsterdam and U.S. exchanges and enable EOE options to be sold to the American public.

The EOE is clearly chary of coming too much under the influence or control of the SEC and if asked would refuse to make too many changes as a condition of registration. But the chances appear to be that an application for SEC registration will be made by October-November, when plans to launch put trading should be complete.

## Letters to the Editor

### Governing London

From Sir Frank Marshall  
Six—was disappointed that your leading article (July 6) failed to grasp the fundamental concept behind my report to Greater London Council about the future shape of London government.

You accuse me of living in the past and refer disparagingly to past experience of land-use planning. A careful reading of my report will reveal that the metropolitan role I advocate for the GLC reaches beyond mere considerations of land utilisation to the integration of land-use planning with corporate and resource planning. It involves the co-ordination of approaches to the solution of problems by all the authorities concerned; it also implies the interaction and correlation of policies and recommendations of the GLC with available resources. The control and allocation of resources, primarily of finance, would be the tool by which strategies would be implemented.

I would strongly dispute your view that London does not have a metropolitan government—indeed, my studies constantly brought home to me how every major metropolitan capital of the world has found a strong authority of this sort to be indispensable.

My belief is that the problems facing London are far too important to be left to a "technical body reporting to representatives of the boroughs." What is at stake is the prosperity of life whole city and the quality of life of its inhabitants: the strategies to promote them should be the direct responsibility of an authority elected by and for all Londoners and accountable to them.

As regards the distribution of powers between levels of government, my concern has not been to justify an artificial body imposed between Whitehall and the boroughs but to clarify the appropriate areas of responsibility for services and functions. My argument is not that the GLC as a resource-allocation strategic authority would stand up to London against central government, but that properly defined metropolitan government is in the best position to plan, facilitate and provide for the broad range of services which have to be organised on a local basis.

When resources are short as they are now, it is critically important that the use made of them matches real local needs as sensitively and responsively as possible. Central government cannot do this—its task is to strike a balance in its regional policies. The inter-relationship of local problems in the metropolitan area is such that a piecemeal borough-by-borough approach would be wasteful. While there will always be a measure of conflict between local and national perspectives it seems to me that the overall system of government should be based on a sense of partnership between its tiers and of understanding of the essential part that each has to contribute. This has not hitherto existed in London.

ally—if properly re-orientated. It is with this in mind that I have framed my detailed recommendations for a complete re-orientation of the GLC with British Rail for the provision of suburban services which would enable the GLC to implement a common fares structure, through-book facilities and a greater measure of integrated timetabling. I do not propose that the GLC should take on powers that do not already exist, but that points of responsibility should be simplified, understood and held locally accountable.

My conclusions on the type of strategic authority which London needs are derived from the merits of the case. They are not, as you suggest, fudged in order to justify the continued existence of the GLC—from whose interests I had no difficulty in detaching myself throughout the conduct of my inquiry.

Frank Marshall,  
Room 150,  
County Hall, SE1.

### Finance Bill side effects

From the Vice Chairman  
Institute of Credit Management  
Six—The suggestion made by Mr. Hovenden (July 11) that the provisions of clause 10 of the Finance Bill are similar to the debt purchase tax rules for bad debt relief is not in my view correct. Purchase tax bad debt relief was always stated to be a concession, not a right, whereas clause 10 provides for VAT relief on insolvency, but defines that insolvency to certain classes only.

As the clause stands at the moment, in order to qualify for relief the company must be in compulsory or voluntary liquidation or the individual or partnership must have been adjudicated bankrupt.

This means that it will be in the creditors' interest to petition the Court for the compulsory winding up of companies where a receiver may be endeavouring to continue the business in the interest of the creditors and for the liquidation of the company of composition to be looked upon less favourably by creditors since no bad debt relief will be available. Similarly bankruptcy will be preferred to a deed of arrangement.

I consider that relief should be granted on all types of debts which prove to be uncollectable due to the inability of the debtors to pay, in the same way as relief is granted to include formal and informal insolvency. Formal insolvency to be defined as: compulsory liquidations, creditors' voluntary liquidations, members' voluntary liquidations, (where they do not turn out to be solvent companies), receiverships, adjudication in bankruptcy, sequestration (Scotland), deeds of arrangements and deeds of composition.

Informal insolvency would also arise for instance, where a debtor is unable to meet his obligations and the costs do not warrant the presentation of a petition or sequestration because there are no assets and where the debtors cannot be traced.

P. Granville White,  
1 Wardrobe Place,  
Carter Lane, E.C.4.

Devaluation not worthwhile

From the Economic Adviser  
Bureau and Co.  
Six—The CBI survey of businessmen's views (July 12) favouring a 10 per cent sterling devaluation to raise exports and create unemployment, misses the main point. There has been about 7 per cent below potential for last four years as measured by an unspent and accumulating

Organisation of Petroleum Exporting Countries, West German and Japanese trade surpluses. The wages in the world with the exception of Switzerland and a few minor trading countries, has been running trade deficits.

Whereas foreign currency borrowing, to meet these deficits, is acceptable for short periods to iron out temporary trading difficulties, it is now evident after four years, that many more countries want to increase exports and reduce imports to restore trading balances and to pay back debt. Britain is one of the most favoured countries in this regard, as it has done much to conserve and develop new energy sources. Devaluation, by any major country, cannot be expected to produce enough new business to make it worthwhile.

Devaluation has many disadvantages which are still inadequately understood. It causes inflation probably, as Samuel Brittan says, as faster rates than published Treasury estimates show. It upsets the value of outstanding sterling trade credits and concessions made available by U.K. exporters to their overseas customers. I have estimated that UK companies unwittingly lost £20n this way between 1974 and 1977. It undermines the willingness of overseas investors to participate in financing UK public sector borrowing needs. On this point OPEC has the largest supplies of investment funds these days.

May I describe a personal experience which could be of general importance? Last autumn I visited a food processing factory in Copenhagen where a sophisticated machine, built under British patents, had been purchased from West Germany. I was told that this machine could have been bought 20 per cent cheaper here but UK delivery dates in the 1974-76 period had been unreliable. The director told me "in this business we have earned the additional 20 per cent while we waited for UK suppliers." Fortunately, with fewer strikes in the UK this criticism is less important today. My point is that reliable delivery dates are worth more than a 10 per cent sterling devaluation to many overseas customers.

A. G. Horswell,  
25, Workshop Street, EC2.

### Managers lack imagination

From Mr. A. G. Horswell  
Six—The surveys on microprocessors and British industry by the Department of Industry mentioned on the Management Page (July 12) reveal an astonishing indifference to their potential by manufacturers. As someone unemployed following disagreements with top management, I would like to link the findings of the surveys with the position of graduates in industry, through the use of your columns. The graduate in industry is, I know, a favourite topic for many of your readers. Only recently Mr. J. Walker (July 5), perhaps with tongue in cheek, seemed to be saying that students enter polytechnics and Universities for an easier life than going out to work after O and A levels. One of my daughters, like Mr. Walker's daughter, is awaiting her A level results. Whether she has any future in engineering depends on her marks and physics results. It also depends on whether industry really wants women graduate engineers.

We hear so much these days about boards of directors comprised of City men (no women) and no engineers, scientists or salesmen included in their midst, that it is not surprising so many engineering firms are not interested in microprocessors. I know a former scientist myself. I know a

## Today's Events

Two-day Western economic summit ends, Bonn.  
Labour Party home policy committee meets to clear up outstanding issues before summer recess, including proposals for Civil Service reform.  
Five Brigades' Union one-day conference on pay, Blackpool.  
Railway Staff National Tribunal resumes hearing of ASLEF pay claim, London.  
Conservative Party conference on Inner Cities, Swan Hotel, Vauxhall, Birmingham.  
Speakers: EEC sheepskin regime; and on Deputy leader of the party, Mr. Michael Heseltine, its spokesman on the environment, and Mr. Cyclical indicators for UK

Paganini, and Albeniz, Stationers' Hall, E.C.4, at 7.30 pm.  
EXHIBITIONS  
Exhibition of historical rings, Goldsmiths' Hall, Foster Lane, E.C.3 (until July 28).  
World Wildlife/Kodak photographic exhibition depicting the Fund's work in Britain and abroad, Kodak Gallery, Righ Holborn, W.C.1 (until August 4).  
SPORT  
Cricket: Prudential Trophy, England v New Zealand, Old Trafford, Manchester; Royal International Horse Show opens, Empire Pool, Wembley (until July 22).  
Golf: Welsh amateur championship, Caernarfon, Gwynedd; Great Britain v Israel, Bournemouth.

## Hambros 1978

Mr. Jocelyn Hambro, M.C., reports to shareholders.

The year under review, for much the greater part of the Group's activities, has been one of profitable growth. However, as is well known, the shipping industry continues to experience extremely depressed conditions and the consequences of these difficulties continue to affect us.

**Results and shipping**  
Operating profits for the year from merchant banking are at levels lower than last year—a disclosed operating result of £4,994,000 against £5,456,000. Investment gains and extraordinary items have, however, increased the total disclosed profit to £8,864,000, which covers the maximum permitted dividends 4.3 times.

The period covered by the present arrangements with the Norwegian Guarantee Institute ends in December 1979/March 1980, subject to interim review. The Institute is now reviewing its existing commitments and is seeking to agree arrangements which would prolong this period. These negotiations, in which we are co-operating together with the other major creditors of the relevant companies, have not been concluded. Accordingly, in the financial year upon which we are reporting, we have made major provisions against the relevant debts. These provisions we consider to be realistic in all the circumstances, and at present-day shipping values.

**Growth and achievement**  
In other respects our merchant banking business has had a highly successful year in that:

- Acceptances have continued to grow.
- We are net providers to the inter-bank markets.
- We have increased our activity in specialist project finance.
- Our Channel Islands' banks recorded further growth in business and profits.
- Our leasing business has passed the figure of £150 million assets under management.
- The international banking division, which is primarily involved in the euro-currency syndicated loan and underwriting business, has maintained a leading position in the market.
- The corporate finance division has made a substantial contribution.
- Our offices in New York, Hong Kong, Sydney and several European cities have strongly supported both our international issue business and corporate finance activities.
- Funds under management by the investment division exceeded £1 billion.
- Our diamond broking and trading business produced their best results to date.

### Consolidated Financial Statement at 31st March 1978

	1978	1977
Share capital and reserves	84,948,000	58,147,000
Minority interest	1,562,000	4,691,000
Loan capital	49,412,000	55,597,000
	115,912,000	118,435,000
Current, deposit and other accounts	1,048,347,000	967,740,000
Acceptances for customers	257,960,000	225,952,000
Proposed dividends	1,235,000	1,235,000
	£1,423,470,000	£1,313,360,000
Balances with bankers and money at call	221,352,000	176,197,000
Bank certificates and deposit and bills discounted	12,044,000	10,619,000
Term loans to banks and local authorities	344,219,000	242,332,000
Dealing securities	9,088,000	27,478,000
Trading stocks	15,258,000	9,863,000
Advances and other accounts	504,122,000	563,391,000
Customer's liabilities for acceptances	257,960,000	225,952,000
Investments	59,427,000	58,628,000
	£1,423,470,000	£1,313,360,000
Profit for the year from operations, after tax	4,994,000	5,456,000
Investment gains and extraordinary items	3,870,000	2,585,000
Profit after investment gains and extraordinary items	8,864,000	8,041,000
Dividends paid and proposed	2,083,000	1,853,000

Our two principal associated companies, Berkeley Hambro Property Company Limited and Hambro Life Assurance Limited, both increased their contribution to our earnings.

**New and developing business**  
We have continued to develop new activities, many of them overseas, to the benefit of future years.

- We have established ourselves in Australia as Hambro Australia Limited.
- Hambro Pacific in Hong Kong has exceeded expectations, both in performance and results.
- We have opened a representative office for Canada located in Toronto and joined the Canadian Imperial Bank of Commerce in forming a United Kingdom company, CIBC Limited, to carry on international investment banking.
- Our New York office has introduced a considerable amount of banking and corporate finance business during the year. Our association with the Prudential Insurance Company of America remains of great value.
- We have extended our European department and strengthened our involvement with the EEC countries as well as maintaining our long-standing association with Scandinavia.



Copies of the Annual Report can be obtained from The Secretary, Hambros Limited, 41 Bishopsgate, London EC2P 2AA.

## COMPANY NEWS

## Ropner expects better year

PROSPECTS FOR the shipping division of Ropner Holdings are better for the current year and a significant contribution is expected from the property side. Overall, directors will be disappointed if results do not exceed the depressed £2.37m pre-tax level achieved in the year to March 31, 1978. Mr. W. G. David Ropner, the chairman, says in his annual statement.

The shipping contribution last year was down from £0.44m to £0.29m and Mr. Ropner says there has recently been a more active interest in chartering medium size bulk carriers, although this has extended only to short voyages and early positions.

Despite the anticipation of better figures this year the chair-

man says the shipping market cannot in the short term be looked at with any great confidence. Although the group's ships on long-term charter are producing a reasonable return on investment there will need to be a sustained improvement in the demand for tonnage if earnings are to reach or exceed the level achieved in some of the group's better years.

The engineering division should continue in the current year to make a substantial contribution to profits.

Income has continued to increase at its insurance brokerage operation, but London office costs and general expenses are also increasing and will have a

considerable effect on profits this year.

In the current year sales on the property side have already been achieved which have allowed borrowings to be substantially reduced and have produced profits which will more than absorb the year's interest charges and expenses. Further sales are being negotiated and a significant contribution for the year is anticipated.

Mr. Ropner points out that the group has now almost exhausted its free depreciation allowances, so that tax will become payable on future group profits at 52 per cent, plus payments each year of tax which has been deferred. The deferred liability is £8m.

The group's cash position is, however, strong, he says.

## ISSUE NEWS

## Ernest Jones enters with £1.7m issue

LATEST IN the recent string of new issues comes multiple retailer Ernest Jones (jewellers) with an offer for sale of 1.5m ordinary 10p shares priced at 115p each raising £1.73m.

A this level Ernest Jones is coming to the market on a prospective p/e of just under 10 and a yield of over 7 per cent.

The offer amounts to 20 per cent of the capital with 450,000 shares being new ones sold for the benefit of the company, which after expenses will raise around £300,000 and 1.5m shares being sold by the controlling Weinstein family who established the business in 1949.

The company is one of the larger retail jewellers in the UK and last week it opened its fourth shop. It was not until the beginning of the Sixties that the company opened its first branch outside central London. Jones concentrates on a fairly up-market trade for a multiple and its range of stock covers diamond jewellery, other jewellery and watches and clocks. Such as compact—very limited and account for less than 3 per cent of turnover.

Physical expansion has been significant over the past five years with the number of shops in 1972 amounting to just 23. In addition to the one opened last week another two are due to come on stream before the end of the year and there are a further eight in various stages of negotiation. The company believes that it could add 30 branches to its existing

central structure, yet the directors emphasise that they are not going all out for physical expansion, but rather they concentrate on selected sites. Shops are always profitable within the first year of trading.

Profits over the last five years ending September 1977 have expanded from £202,000 to £311,000 on a rise in turnover from £1.7m to £5m. The growth was interrupted in 1976 when, in common with the whole trade, Jones was hit by the imposition of 23 per cent VAT in May, 1975, which lasted almost a year. Also profits were affected by increased overheads resulting from the move to Shifra House and new branch

The company is experiencing further growth in sales volume from existing branches and for the year ending September 30, 1978 the directors are forecasting sales £1m higher at £6m and pre-tax profits nearly 50 per cent up at £1.2m. This implies an increase in net margins from 13.1 per cent to 20 per cent. The gross margin is close to 60 per cent.

On the basis of the issue price of 115p per share the fully taxed prospective p/e is 9.08 and the prospective yield is 7.14 per cent. Earnings per share, fully taxed, are 11.52p though these rise to 15p assuming a 35 per cent tax charge which is the more likely figure to be paid. The application list opens next Thursday and deadlines are expected to start the following Tuesday. Hill Samuel and stockbrokers Fielding Newson-Smith are handling the issue.

## Vinten up 66% to £1.2m

PRE-TAX profits of Vinten Group expanded by 66 per cent from £0.8m to £1.33m for the March 31, 1978, year on turnover of £4.49m, against £3.85m.

Earnings per 20p share are shown as 13.18p (8.41p) and the dividend is 1.54p for the year with a second interim payment of 1.04p net, payable on September 1. Also proposed is a one-for-two strip issue to increase the issued and paid-up share capital to £1.02m.

Commenting on the results, Mr. Michael Brown, the chairman, says that results were achieved by the group maintaining its focus in its two principal activities of aerial reconnaissance camera systems and television systems.

This is directly attributable to practical product development, he

adds, and successful selling in overseas markets.

A higher proportion of sales of group equipment, coupled with funding by customers of development projects and economies in administrative overhead expenses, were all factors which enabled Vinten to achieve a trading margin of 23.1 per cent, Mr. Brown explains.

W. Vinten (Middle East) achieved a profit in the first year of its operation, the purpose of this company is to provide a sales and service base in Cyprus for the increasing business in Africa and the Middle East and he says there are indications that it has potential for steady expansion.

The present indications are that the prospects for 1978-79 for our two principal activities look favourable.

## Playing for TV game stakes

BY MAX WILKINSON

THE DECISION by Waddington last week to move into television games indicates a growing belief that this type of electronic entertainment is no flash in the pan, but the beginning of a large, important market.

Waddington has bought Videomaster from the Receiver for about £700,000, and expects to spend some £2m to consolidate the company's position. In one sense electronic entertainment is complementary to Waddington's more traditional board games, but as Mr. Victor Watson, Waddington's chairman, says: "The money spent on all types of children's presents comes out of the same pot."

Videomaster is an interesting acquisition, because it is the only UK company to have designed and at one stage, manufactured its own product.

## Important assets

Now Videomaster imports its games along with its competitors, but it retains a design capability of its own, which may be an important asset in a market which is certain to continue to change at a rapid rate. A majority of games comes from the Far East, where they are assembled from U.S. electronic components. Television games have enjoyed a phenomenal growth in the last three years to reach sales estimated to be about £24m this year. This growth is likely to continue because of the wide range of possibilities offered by the micro-computers now being harnessed in the service of leisure.

So far most of the games sold in the UK are of relatively simple type which may look as obsolete as valve radio sets in a few years' time. These simple games including perhaps six different programmes are based on what the industry calls a "dedicated chip."

This is a tiny slice of silicon less than the size of a tea leaf on which a micro-electronic circuit has been etched. These dedicated chips are similar in construction to those at the heart of a calculator or an electronic watch. Many brands of TV games use the same type of chip, most commonly produced by one of the major U.S. semiconductor companies like National Semiconductor or General Instruments.

As the volume of sales builds up prices for these games based on dedicated chips have fallen dramatically. The simplest black and white ball games, which were retailing for £30 to £40 two years ago will be sold this Christmas for as little as £11.

Meanwhile more complex games offering colour, car racing and aerial dog-fights have been coming on to the market at the higher price range between £20 and £40.

Since the cost of micro-electronics is falling all the time, these more expensive games can be expected to follow the trail blazed by hand-held calculators a few years ago.

Last year about 600,000 games based on dedicated chips were sold in the UK. In the current year the industry expects the market to increase to about 1m with additional sales of perhaps 40,000 games at a higher price of about £120 based on micro-computers.

These micro-computer games differ radically from their cheaper cousins although they may often allow consumers to play much the same sort of game-like television game, such as football or squash.

They are enormously more complex and more expensive, but they are also more powerful micro-computer which could be programmed for almost any task with the aid of a washing machine.

Micro-computers can, therefore, be programmed for an inexhaustible variety of games, limited only by the ingenuity of manufacturers and their ability to invest in new plug-in programs.

The leading micro-computer games unit is made by Fairchild and marketed in the UK by Adam Imports under the brand name Grandstand. Customers will be able to choose between 17 different cartridges (at £20 each) which plug into the machine in order to provide the programming for up to four different games on each cartridge.

Although the price is rather high at present, it is likely that micro-computer games will come down to about £20 to £30 quite quickly. The possibilities are particularly interesting. Waddington, for example, has programmed for games which require mental skills rather than just physical dexterity. Micro-computer games could, therefore, have the same appeal as the board games which the company sells at present. Furthermore, micro-computer games are less vulnerable to Far Eastern competition, because they require a library of programs, which are expensive to develop.

The games industry is also

beginning to realise that micro-computer units could move into a completely new market for home education and eventually be adapted for genuine home computing.

The next generation of television games will probably have to accept extra units like keyboards and tape recorders which would enable people to use their TV sets for complicated word games or mathematical and linguistic exercises, depending on the programs available.

Mr. Chris Rycroft, joint managing director of Adam Imports says: "The games aspect of these micro-computer units is only the tip of the iceberg, but the main problem is to get consumers to accept home computing as a familiar idea."

"It is rather like trying to introduce the idea of a car to someone who is only familiar with the horse and cart. He would probably say that cars are not necessary and certainly not for him."

However, people are rapidly becoming familiar with the idea of TV games and quite sophisticated facilities offered by different products. Gradually they will become used to the possibilities of micro-computer games. So, when we introduce educational and educational programs, they will say: 'Why didn't you think of that before?'

Home computers

Mr. Rycroft thinks it will take about three years for television games to start evolving into general purpose home computers, with fairly simple and limited programs at first.

By that time the fully fledged home computers now being sold at about £700 will have come down in price to meet the up-market TV game somewhere in the £100 to £200 range. Interestingly, the PRT home computer sold by Commodore is based on a micro-computer which is not dissimilar to the basic component of Fairchild's TV games unit.

The PRT computer can, indeed, play games, although at £700, it is aimed at the professional and hobbyist market rather than the mass consumer.

The connection between home computers and TV games has also been crisscrossed by ITT which has recently introduced an American-designed micro-computer which plugs into a domestic television set.

It is more than probable, therefore, that the futuristic idea of a "computer in every home" will become a reality more quickly than most people realise, especially if the marketing men can change the slogan into "an intelligent game for every TV."

## Halls Homes glasshouse acquisition

Halls Homes and Gardens, a subsidiary of Penton, has acquired the Guernsey Glasshouses range of domestic greenhouses together with its UK sales and distribution company, Aluminium Sectional Buildings.

Halls will handle all UK and export sales inquiries for the Guernsey domestic range. The Guernsey range will be manufactured at Halls' Paddock Wood factory.

Directors say the acquisition of this upmarket range will give Halls added strength in offering the specialists garden retailer and gardening enthusiast a complete range of growing equipment. Last month Halls announced the acquisition of the Shilton and Autogrow product ranges aimed at the same market.

## FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Crellon Holdings 12pc Conv. Prfd. 1979-83 (Section: Electricals).

MacLellan (P. and W.) (Section: Industrials).

SIMCO MONEY FUNDS

Saturn Investment Management Co. Ltd.

20 CANNON STREET EC4A 3DF

Telephone: 01-276 4425

Rates paid for W/E 16/7/78

Call "p.a." "a.d."

Mon. 9.25p 9.68p

Tues. 9.80p 9.68p

Wed. 10.00p 9.71p

Thurs. 9.97p 9.54p

Fri./Sun. 9.10p 9.69p

## GESTETNER HOLDINGS LIMITED

The Directors today declared an interim dividend in respect of the financial period ending 4th November 1978 of 84p payable on 5th September 1978 to dividend shareholders registered at the close of business on 4th August. Capital shares will be allotted on 18th August to Capital shareholders and despatched on 8th September.

Bearer holders should lodge coupons 106 with Barclays Bank Limited (Securities Services Department), 54 Lombard Street, London EC3P 3AH. Dividend shareholders should lodge three clear days before 5th September for dividend. Capital shareholders should lodge (with allotment instructions) on or after 5th September for new Capital shares.

J. A. BARNETT, Secretary.

Tottenham N17. 14th July, 1978.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
Barnsley Metro. (0226 203232)	11	4-year	£50	5-7
Knowsley (051 5460555)	11	4-year	1,000	3-7
Poole (02018 5151)	10	4-year	500	5
Poole (02013 5151)	11	4-year	500	6-7
Redbridge (01-478 3020)	11	4-year	200	5-7
Thurrock (0375 5122)	11	4-year	300	4
Thurrock (0375 5122)	11	4-year	300	5-8

## FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 21.7.78.

Terms (years) 3 4 5 6 7 8 9 10

Interest % 10.1 11 11.1 11.2 11.3 12 12.1 12.2

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-428 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI". FFI is the holding company for ICFC and FCI.

## MARCHWIEL LIMITED

Incorporated under the Companies Acts 1948 to 1978, No. 1367044

Authorised	Issued and fully paid
£	£
4,506,780	9 per cent. Cumulative Preference shares of £1 each
10,493,220	Ordinary shares of 25p each
15,000,000	

All the issued share capital of Marchwiel Limited has been admitted by the Council of The Stock Exchange to the Official List.

Particulars relating to Marchwiel Limited are available in the Extel Statistical Services and copies of these particulars may be obtained during usual business hours (Saturdays and public holidays excepted) between 17th July and 31st July, 1978, both dates inclusive, from:

Hill Samuel & Co. Limited,  
100 Wood Street,  
London EC2P 2AJ.

17th July, 1978

Cazenove & Co.,  
12 Tokenhouse Yard,  
London EC2R 7AN.

## Blackwood Hodge Limited

(registered in England No. 234361)

Proposed Rights Issue of  
12,020,734 Ordinary shares of 25p each  
at 50p per share

A circular letter, incorporating a notice of an Extraordinary General Meeting of the Company to be held on 2nd August, 1978, was despatched to Ordinary Shareholders on 14th July, 1978.

Holders of the new Ordinary Shares in the Company issued under the terms of the capitalisation issue in May 1978 are entitled to participate in the proposed Rights Issue.

Any Shareholder who wishes to obtain a copy of the circular letter dated 14th July, 1978 should apply to:

Clydesdale Bank Limited,  
New Issue Department,  
30 Lombard Street, London EC3P 9BB  
(Tel. No. 01-646 4545)

Morgan Grenfell & Co. Limited,  
New Issue Department,  
4 Throgmorton Avenue, London EC2P 2NB  
(Tel. No. 01-588 4545 Ext. 2597)

17th July, 1978

BRYMAY  
SAFETY MATCHES

BONDED  
shaving system

Cress

WILKINSON

foster grant

Eddy

Swan

PROFITO

SCHERMO

## Wilkinson Match

Group Results for Year ended 31st March, 1978

Pre-tax profits increased by 15.9%

Earnings per share (basic) up by 13.2%

True Temper acquired giving stronger business in the USA and establishing partnership with Allegheny Ludlum.

	1978	1977
£000's	£000's	£000's
TURNOVER	192,310	182,698
OPERATING PROFIT	17,587	15,289
INTEREST	3,283	2,943
PROFIT BEFORE TAXATION	14,304	12,346
TAXATION	7,619	6,318
PROFIT AFTER TAXATION	6,685	6,028
MINORITY INTERESTS	1,507	1,448
ATTRIBUTABLE TO SHAREHOLDERS (after extraordinary items)	5,178	4,580
EARNINGS PER SHARE (basic)	22.85p	20.18p
PROPOSED TOTAL DIVIDEND (net)	10.00p	8.31p

Wilkinson Match is an international company manufacturing and marketing consumer products and safety and protection equipment.

13 Stanhope Gate, Park Lane, London W1Y 5LB

WILKINSON II

SWORDFLASH

AUTOMATCH

REDHEAD

WILKINSON

SCISSORS

BRYAN & MAY

GRAYNER

LIOR

DON DGE

Mighty Match





# ERNEST JONES (Jewellers) Limited

(Incorporated in England under the Companies Acts 1948 to 1976 No. 1375668)

## Offer for Sale by Hill Samuel & Co. Limited of 1,500,000 Ordinary shares of 10p each at 115p per share

payable in full on application

Share Capital	
Authorised	Issued and now being issued fully paid
£600,000	£500,000
Ordinary shares of 10p each	

**Indebtedness**  
On 22nd June, 1978 the Company and its subsidiaries had outstanding bank indebtedness of £375,108 and hire purchase commitments of £17,138. Save as aforesaid and apart from intra-Group transactions neither the Company nor any of its subsidiaries had outstanding on 22nd June, 1978 any borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, mortgages, charges, hire purchase commitments or guarantees or other material contingent liabilities.

Directors	Bankers	Solicitors	Joint Auditors and Reporting Accountants
Ernest Weinstein, Shifra House, 1-7 Harewood Avenue, London NW1 6JD Stella Rita Weinstein, Shifra House, 1-7 Harewood Avenue, London NW1 6JD Michael Levi Weinstein, Shifra House, 1-7 Harewood Avenue, London NW1 6JD Philip David Weinstein, Shifra House, 1-7 Harewood Avenue, London NW1 6JD <b>Secretary and Registered Office</b> Ronald George Watson, Shifra House, 1-7 Harewood Avenue, London NW1 6JD	Hill Samuel & Co. Limited, 39 Wigmore Street, London W1M 0AL National Westminster Bank Limited, 8 Charterhouse Buildings, Goosewell Road, London EC1M 7AT <b>Receiving Bankers</b> National Westminster Bank Limited, New Issues Department, P.O. Box 78, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD	To the Company: Michael Conn & Co., 24 Queen Anne Street, London W1M 0AX Matthew Trackman Liffon & Spry, 180 Piccadilly, London W1V 0BT To the Offer: Slaughter and May, 35 Basinghall Street, London EC2V 5DB	Warner Bearman, Chartered Accountants, 16 Wimpole Street, London W1M 8BH Coopers & Lybrand, Chartered Accountants, Abacus House, Gutter Lane, Cheapside, London EC2V 8AH <b>Brokers</b> Fielding, Newson-Smith & Co., Garrard House, 31 Gresham Street, London EC2V 7DX and The Stock Exchange <b>Registrars and Transfer Office</b> Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL

### HISTORY AND BUSINESS

**Introduction**  
Ernest Jones (Jewellers) Limited ("the Company") and its subsidiaries (together "the Group") are multiple retail jewellers trading under the names "Ernest Jones" and "Saphens". The Company was incorporated on 27th June, 1978 and on 12th July, 1978 acquired the whole of the issued share capital of Ernest Jones & Co. (London) Limited ("Ernest Jones London") and other related companies, all of which were owned by the Weinstein family. Although these companies were separate entities they have been managed as a group by the Weinstein family. The business of the Group is the sale of jewellery of high quality in the medium price range and of leading brands of watches and clocks. In a competitive retail trade the Group has set itself the highest standards, aiming to achieve a level of shop display, presentation of merchandise and customer service above that of its competitors, in line with its trading motto "Ernest Jones - Your Personal Jeweller - by Appointment to You".

#### History

The Group's activities commenced in 1949 when Mr. and Mrs. Ernest Weinstein, together with members of their family, formed Ernest Jones London, which commenced trading from premises in Oxford Street, London. Initially they sold only watches, which were mainly imported; however owing to Government restrictions on imports at that time the trading activities were extended to include the retailing of a small range of jewellery.

A principal factor in the subsequent growth of the business was the success of a further retail shop which was opened in 1955 at 161-163 Oxford Street, London and which is still one of the Group's leading branches. The success of this shop led Mr. and Mrs. Weinstein to believe that a significant expansion in the scale of their operations would be possible by bringing to suburban and provincial locations the quality, range, presentation of product and high standard of customer service which they had established in the West End of London.

The first branch in the London suburbs was opened in 1961 and the first branch outside London in 1965. The number of retail branches increased during the 1960's and at the end of that decade totalled 18. Since 1970 expansion has continued and the Group now operates a total of 38 branches. It is one of the larger retail jewellers in the United Kingdom.

#### Business

The Group sells diamond rings, diamond jewellery, a wide range of other jewellery in gold and silver, watches and clocks. The Group is a retailer of Rolex, Omega, Rotary and Seiko watches and also makes significant sales of other nationally advertised brands of watches. The Group places great value on the close trading relationships it has established with a number of leading jewellery and watch manufacturers, some of whom have been suppliers for more than 20 years. A small but growing volume of sales is represented by rings and items of jewellery which the Group manufactures to its own designs.

The Directors consider that the main factors which have contributed to the Group's success and the high standing it has achieved in the retail jewellery trade are (a) the location of its branches, (b) its shop design and window display, (c) the range of merchandise it offers, (d) its policy on the availability of stocks, (e) its management controls and (f) its staff training policy. These are commented on below.

#### Location of branches

The expansion of the Group in the 1960's took it from the West End of London to the suburbs and to the provinces. At an early stage in this expansion the Directors took the view that the growth of city centre shopping developments would have a considerable influence on future shopping patterns in the United Kingdom. Accordingly it was decided to acquire premises in such new centres as well as in other key locations in major towns and cities.

The map opposite shows the location of the 39 existing branches of the Group and of the 3 new branches for which contracts to lease have been signed. The number of new branches opened each year depends upon the availability of sites which meet the Group's strict criteria. The number of branches trading at the end of September in each of the following years was:-

	1972	1973	1974	1975	1976	1977
	23	24	31	33	38	39

The size of branches varies from location to location. The Group now generally looks for a minimum shop frontage of not less than 18 feet and a total floor area of approximately 1,500 square feet.

#### Shop design and window display

Shop design, in which the Group has pioneered a number of developments, is an important factor in attracting customers. The Group continually seeks to improve its shopping and working environment; for example it has installed air conditioning in eleven of its existing branches and will extend this facility where practicable.

Shop window displays, which are manufactured by the Group's own display department, conform to a style developed by the Directors and the Group's design team: the Directors consider the Group to be a leader in this field. Its policy is to have stocks of display materials readily available to ensure that new branches can be opened with a minimum of delay and changes can be speedily effected at existing branches when required.

#### Range of merchandise

The Group concentrates on selling diamond jewellery and other jewellery in gold and silver, nationally advertised brands of watches and clocks: this enables it to offer its customers a wide choice of items within these categories. Less than three per cent. of turnover is represented by other merchandise. The Group continually reviews actual and anticipated demand for its merchandise and adjusts its range accordingly.

#### Availability of stocks

The Group's policy is to hold wide ranges of stocks at all its branches, to ensure that main selling lines are continuously on display and available for sale. Branches are supplied from a central stock department. In anticipation of the Group's planned expansion, a computerised stock control system was introduced in 1967: this system assists the Group's buyers in forecasting future demand.

#### Management controls

All branches operate to the same comprehensive system of procedures designed by the Directors to secure high standards of efficient operation: standard operations manuals cover various aspects of the Group's business. The procedures laid down are monitored through frequent visits to each branch by the Directors and their four area Supervisors.

Similarly through the use of standardised procedures for head office operations the Group has been able to accommodate substantial growth with only a small increase in head office staff. The close involvement of the Directors in all aspects of the Group's operations and their direct contact with staff at all levels have proved invaluable in establishing and maintaining the "family atmosphere" which prevails throughout the Group.

#### Staff training

The Group aims to achieve a level of customer service above that of its competitors and accordingly places great emphasis on its staff training programme. This includes formal training for new sales staff and specialised sessions for all staff to encourage them to develop the skills required for their particular responsibilities. All staff are given opportunities to attend suitable internal or external courses. There is also a special internal course designed for training new and potential branch managers. The Group has been notified that it is to receive the Distributive Industry Training Award which is further recognition of its high standard of staff training.

### LOCATION OF THE GROUP'S BRANCHES



### MANAGEMENT

#### Directors

Mr. Ernest Weinstein, the Chairman of the Company, is aged 62. He has been Chairman of Ernest Jones London since its incorporation in 1949. As Managing Director he is responsible for overall policy and control of the Group.

Mrs. Ernest Weinstein, aged 51, is the wife of the Chairman. She has played an active part in the business since its commencement in 1949 and controls the policy for and purchasing of diamond rings and diamond jewellery.

Mr. Michael Weinstein, aged 29, is the elder son of Mr. and Mrs. Ernest Weinstein. He joined the business in 1967 and was appointed a director of Ernest Jones London in 1973. He controls the policy for and purchasing of watches and is responsible for personnel.

Mr. Philip Weinstein, aged 25, is the younger son of Mr. and Mrs. Weinstein. He joined the business in 1975 and was appointed a director of Ernest Jones London in 1978. He controls the policy for and purchasing of wedding rings and is responsible for stock systems development together with customer relations.

In addition, Mr. Michael and Mrs. Philip Weinstein jointly undertake the overall direction of the Group's central stock department and the development of new branches.

Whilst each Director has specific areas of responsibility, there are no rigid distinctions between these and each Director is closely involved in all aspects of the business. All the Directors intend to continue their roles in the business for the foreseeable future.

After completion of the Offer for Sale Mr. J. A. Bearman, F.C.A., aged 46, will be appointed a non-executive director of the Company. He is a partner in the firm of Warner Bearman who have been the auditors of Ernest Jones London since 1955. Prior to Mr. Bearman's appointment as a Director, and in compliance with the Companies Act 1948, Warner Bearman will resign as joint auditors of the Company and as auditors of other companies in the Group where they presently hold that appointment. It is intended that Coopers & Lybrand will be sole auditors of all companies in the Group.

#### Management and staff

The Group currently employs some 350 full time and 25 part time staff. It is the Group's policy to promote from within wherever possible. The success of this policy is illustrated by the fact that several staff members who joined the Group as trainee sales assistants now occupy senior positions in the management team.

Branch managers, in conjunction with the personnel department, are responsible for the welfare of the staff under their control. The Group has always enjoyed good staff relations.

#### The Group's senior management is:

Name	Age	Present Position	Years of Service
Miss D. Briggs	30	Accountant	13
Mr. R. Landes	51	Buying Manager	10
Mr. D. Newman	40	Manager Manufacturing and Service Department	13
Mr. J. Shaw	41	Senior Supervisor	7
Mr. M. Shine	47	Buyer	24
Mr. A. B. Simmonds	62	Buyer	10
Mr. B. C. W. Thompson	51	Senior Supervisor	27
Mr. R. G. Timms	56	Personnel Manager	5
Mr. R. G. Watson	56	Company Secretary	12

### PROPERTIES

The Group's branches are all leased, in most cases on leases of initially some twenty-one years' duration. In 1976 Ernest Jones London purchased the freehold of Shifra House, Harewood Avenue, London N.W.1 and adjoining premises, for use as the head office of the Group. Approximately 12,000 square feet of Shifra House are occupied by the Group and 4,000 square feet are let on leases expiring not later than 1981. The adjoining premises, comprising 12,000 square feet currently used as a garage, are let until 1988. The Directors consider that the combined premises are of adequate size for the foreseeable expansion of the Group. The Group's properties were valued by Smith Melzak & Co. (surveyors and valuers) on 1st April, 1978 at £1,702,000 on the basis of current open market value with their existing use and vacant possession (except for space sub-let). This valuation has not been incorporated into the Group's accounts and a comparison with the net book value in the Group's balance sheet on the same date is shown below:-

	Valuation	Net Book Value
	£000	£000
Freehold property	725	845
Short leasehold properties	977	286
	1,702	941

If the valuation were to be incorporated into the Group's accounts an additional annual depreciation charge of £77,000 would arise.

### PROCEEDS OF ISSUE AND WORKING CAPITAL

Of the 1,500,000 Ordinary shares comprised in the Offer for Sale 450,000 are new Ordinary shares being issued by the Company for cash. The proceeds of the issue of these shares, after deducting the expenses of the Offer for Sale payable by the Company, are estimated to amount to £317,000 and will be used to provide additional working capital.

Taking into account the net proceeds of the issue of the new Ordinary shares and the bank facilities available to the Group, the Directors are of the opinion that the Group has adequate working capital for its current requirements.

### PROFITS AND PROSPECTS

#### Profit record

The Group has grown substantially in the five years ended 30th September, 1977, in terms of the number of branches, volume of business and profitability. During this period turnover of the Group increased from £1.7 million to £5.0 million and profit before taxation from £203,000 to £811,000, representing growth of approximately 200% and 300% respectively, whilst the number of branches has increased from 23 to 39. This growth has been achieved in a period which has seen almost no increase in the level of real disposable incomes.

The growth in profits was temporarily interrupted in the year to 30th September, 1978 when the Group's level of sales was influenced, in common with other retail jewellers, by the imposition of Value Added Tax at the rate of 25 per cent. for the period from 1st May, 1975 to 11th April, 1976. Other factors affecting these results were the impact of inflation on overheads, the move to Shifra House and the timing of the opening of new branches.

#### Current year

Turnover and profit before taxation of the Group for the six months ended 1st April, 1978, which includes the peak Christmas period, amounted to £3.3 million and £869,000 respectively. On the basis and assumptions set out under Statutory and General Information below, the Directors forecast that in the absence of unforeseen circumstances the turnover and profit before taxation of the Group for the year ending 30th September, 1978 will be not less than £5.0 million and £1,200,000 respectively.

#### Prospects

The Directors consider that the prospects for the Group are excellent. The Group has developed efficient systems of operation which have enabled it to accommodate substantial growth in volume of trading with only limited increases in operating costs. These systems are capable of absorbing a considerable increase in the volume of sales and the number of branches. Further growth in sales volume is expected to come both from well established branches and the newer branches whose potential is still developing. Considerable scope also exists within the United Kingdom for expansion in the number of branches. Contracts to lease have been signed for 3 new branches, which are planned to be trading by September 1978, and negotiations are in progress for leases on a further 8 branches.

### DIVIDENDS AND YIELDS

On the basis of the forecast of Group profit before taxation of not less than £1,200,000 for the year ending 30th September, 1978 it would be the Directors' intention to recommend for payment in March 1979 a net final dividend of 3.5p per share (5.22p with related tax credit at the rate of 33 per cent.).

For a full year in which a similar level of profit were to be earned the Directors would expect to recommend dividends totalling 5.5p net per share (8.21p with the related tax credit at the rate of 33 per cent.). It is intended in future years to pay an interim dividend in August and a final dividend in March. If current legislation, which expires on 31st July, 1978, is renewed in its present form the Company would not be subject to any government dividend restrictions in respect of the two years ending 29th September, 1979.

The following table illustrates the appropriation of profits on this basis assuming:-

	£000		£000
(i) Corporation tax at the standard rate of 52 per cent. and an expected actual rate of 25 per cent. (taking account of the availability of stock appreciation relief);	624	(25%)	300
(ii) total net dividends in a full year of 5.5p per share; and			
(iii) an issued share capital of 5,000,000 Ordinary shares.			
Profit before taxation	1,200		
Less: Corporation tax	(52%) 624		
Profit after taxation	576		800
Less: Dividends	275		275
Retained profit	301		625
Earnings per share	11.52p		18.00p
Cover for ordinary dividend	2.1 times		3.3 times

On the basis of fully taxed earnings per share of 11.52p and at the offer price of 115p the Ordinary shares of the Company are being offered for sale on a price earnings multiple of 9.98 and on a gross dividend yield in a full year of 7.14 per cent.



## CURRENT INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield
<b>U.S. DOLLARS</b>							
U.S. Steel	120	1992	15	5 1/2	100	Schroder Wagn	4.25
Midland	125	1993	15	5 1/2	100	EBC, CSWW, Montagu	5.58
Hydrex Quebec	100	2008	n.a.	n.a.	100	F. Boston, Sachs,	5.58
						Merrill Lynch	
						Cheney, Man. Ltd.	
						CSWW, Orion	5.30
<b>U.S. Francs</b>							
Thom Electrical	25	1988	10	6 1/2	100	Hambros	
CCCE (G'd France)	50	1988	13	5 1/2	100	BNP, Credit Lyonnais,	5.32
						Dillon Read Over.	
<b>DM-MARKS</b>							
Deutsche Bank	50	1984	5	6 1/2	100	N. M. Rothschild	
Deutsche Bank	50	1984	5	6 1/2	100	CSWW, First Boston	
Deutsche Bank	50	1984	5	6 1/2	100	First Boston (Europe)	
<b>YEN</b>							
Bay. Vereinsbank	50	1984	5	6 1/2	100	Bay. Vereinsbank	3.55
Commerzbank	50	1984	5	6 1/2	100	Commerzbank	5.35
Deutsche Bank	50	1984	5	6 1/2	100	Deutsche Bank	6.05
<b>Other currencies</b>							
Bay. Hypo und Wechs.	75	1984	n.a.	n.a.	99 1/2	Bay. Hypo und Wechs.	7.90
West LB	75	1984	n.a.	n.a.	99 1/2	West LB	
BHF-Bank	75	1984	n.a.	n.a.	99 1/2	BHF-Bank	
Deutsche Bank	75	1984	n.a.	n.a.	99 1/2	Deutsche Bank	
Deutsche Bank	75	1984	n.a.	n.a.	99 1/2	Deutsche Bank	
<b>LUXEMBOURG FRANCS</b>							
Bank Int. a Lux.	250	1988	10	7 1/2	100	Bank Int. a Lux.	7.75
Bank Int. a Lux.	250	1988	10	7 1/2	100	Bank Int. a Lux.	8.00
Bank Int. a Lux.	250	1988	10	7 1/2	100	Bank Int. a Lux.	7.75
<b>SWISS FRANCS</b>							
UBS	100	1993	n.a.	n.a.	100	UBS	
Crédit Suisse	100	1993	n.a.	n.a.	100	Crédit Suisse	
<b>YEN</b>							
World Bank	75bn	1993	12.3	6 1/2	100	World Bank	6.61
<b>BAHRAIN DINARS</b>							
Sonatrach	8	1983-8	8	8 1/2	100	Gulf Int. Bank	
<b>KUWAIT DINARS</b>							
Kuwait Real Estate Bank	10	1983/6	7 1/2	7 1/2	100	Kuwait Real Estate Bank	
<b>GUINEAN FRANCS</b>							
Com. Fed. de Elec.	75	1983	5	7 1/2	99	ABN, Pison	8.00

\* Not yet priced. † Final terms. \*\* Placemaster. \*\*\* Floating rate note. †† Minimum. ‡ Convertible. ‡‡ Registered with U.S. Securities and Exchange Commission. § Purchase fund. Notes: Yields are calculated on AIBD basis.

## OVERSEAS MARKETS

## INTERNATIONAL BONDS

## Weakening in floating rate notes

BY MARY CAMPBELL

ALL SECTORS of the international bond market were last week waiting on the outcome of the Bonn summit. So were operators in major domestic capital markets. It was felt that quite apart from any effect on decisions (or lack of decisions) may have on foreign exchange rates, changes in current domestic interest rate trends in key countries like Germany and Japan could emerge from the meeting.

This said, trends in the markets last week could be viewed as being reasonably clear. The straight dollar bond market picked up despite further increases in short-term interest rates and despite the news over Thursday night of an extremely sharp rise in the US money supply (prices were marked down by dealers on Friday morning but recovered when no selling emerged). Conversely, Deutsche Mark and Yen foreign bonds were both weak, with floating rate notes came off the top.

In summary, developments might suggest that the dollar is due at least to stabilise, and that dollar interest rates are peaking out.

However, with the exception of the continued firmness of U.S. dollar fixed-rate bonds, last week's trends could also be explained by developments within each individual sector. The Deutschmark bonds were

depressed by one of the weakest spells recently seen in the German domestic capital market (weakness which persisted through Friday when the Bundesbank bought another DM 300m of domestic paper). The basic position is that the German authorities are caught between anxiety not to raise interest rates and a heavy public sector borrowing requirement.

The yield differential between German domestic and foreign bonds is already large, and although dealers reported little selling by foreign investors last week there is further room for a widening of the gap, without stimulating switches by domestic investors from foreign into domestic bonds.

The German capital market sub-committee is meeting today to determine the next stage of the new issue calendar. Given the limited volume is expected to be scheduled. It is also thought that the German authorities might frown on foreign issues offering higher coupons than

domestic issues, and that the quality of foreign borrowers will therefore be limited to those who could offer bonds at 6 per cent or less.

The Japanese domestic market is also weak at present. Two foreign borrowers are thought to have postponed plans for new issues in September. With Japanese seasonal factors expected to increase liquidity in the late autumn, Japanese securities sources say that these borrowers are probably hoping for better rates later.

A key indicator last week was the fall in floating rate note (FRN) prices—the first real sign of weakness here for several months. Dealers are however divided in their interpretations of the decline in prices, which was only small and took place in the context of a reasonable two-way market.

According to one view, the steadiness of fixed rate prices and realistic expectations that U.S. interest rates are close to the turn.

The big problem with this explanation lies in estimating the significance for future demand for FRNs. The extent to which investors in FRN overlap with investors in fixed rate issues is a matter of hot debate, although marginal switching may be expected to depress the latter. In other words, the

resumption of demand for fixed-rate issues need not necessarily mean the end of 15-year floaters.

In a further sophistication of this argument some say that since banks are large-scale holders of FRNs, a widening of margins on bank loans is needed before demand for FRNs dries up. However here too there is a flaw of unknown significance.

In that FRN investment tends to be carried out by banks' money market departments, which are separate and have different criteria from commercial lending departments.

judging from a comparison of syndicated loans and FRN issues some recent borrowers, arbitrage is far from perfect.

American Express International Banking Corporation is raising \$33m of five year floating rate certificates of deposit (FRCDs) through its London branch. The FRCDs will pay interest at a quarter per cent over the three month bid offered London inter-bank rates. The rates on FRCDs are usually set at a quarter per cent above the offered rate, so this issue will shave 1/4 per cent off the usual level.

Since the FRCDs are being placed includes several Middle Eastern institutions, U.S. banks have not so far as known, issued FRCDs in London before.

## BONDS INDEX AND YIELD

	July 16		July 7		
Medium term ..	77.04	8.05	77.04	8.06	77.04
Long term ....	72.75	8.76	72.69	8.82	72.67
<b>EUROCORP TURNOVER</b> (nominal value in Sm.)					
<b>U.S. dollar bonds</b>					
last week previous week					
Eurocor	1,215.4		451.9		
Cedel	1,617.6		543.6		

## 37

[illegible]

Jardine Export Ltd. 1974-8	128 0	U.S. Tr. Inv. Corp.	\$10.51	0.95
At st. June 1980	128 0	Net asset July 15		
<b>Jardine Fleming &amp; Co. Ltd.</b>		<b>S. G. Warburg &amp; Co. Ltd.</b>		
40th Floor, Connaught Centre, Hong Kong		30, Greenwich Square, E.C.C.	01-730-0553	
Telephone: H.K. 2-2222	1.00	July 15-16	\$159.67	+0.03
Telex: 235-2222	1.00	July 16-17	\$167.72	+0.03
London: 2-2222	1.00	July 17-18	\$172.77	+0.03
London: 2-2222	1.00	July 18-19	\$177.82	+0.03
London: 2-2222	1.00	July 19-20	\$182.87	+0.03
London: 2-2222	1.00	July 20-21	\$187.92	+0.03
London: 2-2222	1.00	July 21-22	\$192.97	+0.03
London: 2-2222	1.00	July 22-23	\$198.02	+0.03
London: 2-2222	1.00	July 23-24	\$203.07	+0.03
London: 2-2222	1.00	July 24-25	\$208.12	+0.03
London: 2-2222	1.00	July 25-26	\$213.17	+0.03
London: 2-2222	1.00	July 26-27	\$218.22	+0.03
London: 2-2222	1.00	July 27-28	\$223.27	+0.03
London: 2-2222	1.00	July 28-29	\$228.32	+0.03
London: 2-2222	1.00	July 29-30	\$233.37	+0.03
London: 2-2222	1.00	July 30-31	\$238.42	+0.03
London: 2-2222	1.00	August 1-2	\$243.47	+0.03
London: 2-2222	1.00	August 2-3	\$248.52	+0.03
London: 2-2222	1.00	August 3-4	\$253.57	+0.03
London: 2-2222	1.00	August 4-5	\$258.62	+0.03
London: 2-2222	1.00	August 5-6	\$263.67	+0.03
London: 2-2222	1.00	August 6-7	\$268.72	+0.03
London: 2-2222	1.00	August 7-8	\$273.77	+0.03
London: 2-2222	1.00	August 8-9	\$278.82	+0.03
London: 2-2222	1.00	August 9-10	\$283.87	+0.03
London: 2-2222	1.00	August 10-11	\$288.92	+0.03
London: 2-2222	1.00	August 11-12	\$293.97	+0.03
London: 2-2222	1.00	August 12-13	\$299.02	+0.03
London: 2-2222	1.00	August 13-14	\$304.07	+0.03
London: 2-2222	1.00	August 14-15	\$309.12	+0.03
London: 2-2222	1.00	August 15-16	\$314.17	+0.03
London: 2-2222	1.00	August 16-17	\$319.22	+0.03
London: 2-2222	1.00	August 17-18	\$324.27	+0.03
London: 2-2222	1.00	August 18-19	\$329.32	+0.03
London: 2-2222	1.00	August 19-20	\$334.37	+0.03
London: 2-2222	1.00	August 20-21	\$339.42	+0.03
London: 2-2222	1.00	August 21-22	\$344.47	+0.03
London: 2-2222	1.00	August 22-23	\$349.52	+0.03
London: 2-2222	1.00	August 23-24	\$354.57	+0.03
London: 2-2222	1.00	August 24-25	\$359.62	+0.03
London: 2-2222	1.00	August 25-26	\$364.67	+0.03
London: 2-2222	1.00	August 26-27	\$369.72	+0.03
London: 2-2222	1.00	August 27-28	\$374.77	+0.03
London: 2-2222	1.00	August 28-29	\$379.82	+0.03
London: 2-2222	1.00	August 29-30	\$384.87	+0.03
London: 2-2222	1.00	August 30-31	\$389.92	+0.03
London: 2-2222	1.00	September 1-2	\$394.97	+0.03
London: 2-2222	1.00	September 2-3	\$399.02	+0.03
London: 2-2222	1.00	September 3-4	\$404.07	+0.03
London: 2-2222	1.00	September 4-5	\$409.12	+0.03
London: 2-2222	1.00	September 5-6	\$414.17	+0.03
London: 2-2222	1.00	September 6-7	\$419.22	+0.03
London: 2-2222	1.00	September 7-8	\$424.27	+0.03
London: 2-2222	1.00	September 8-9	\$429.32	+0.03
London: 2-2222	1.00	September 9-10	\$434.37	+0.03
London: 2-2222	1.00	September 10-11	\$439.42	+0.03
London: 2-2222	1.00	September 11-12	\$444.47	+0.03
London: 2-2222	1.00	September 12-13	\$449.52	+0.03
London: 2-2222	1.00	September 13-14	\$454.57	+0.03
London: 2-2222	1.00	September 14-15	\$459.62	+0.03
London: 2-2222	1.00	September 15-16	\$464.67	+0.03
London: 2-2222	1.00	September 16-17	\$469.72	+0.03
London: 2-2222	1.00	September 17-18	\$474.77	+0.03
London: 2-2222	1.00	September 18-19	\$479.82	+0.03
London: 2-2222	1.00	September 19-20	\$484.87	+0.03
London: 2-2222	1.00	September 20-21	\$489.92	+0.03
London: 2-2222	1.00	September 21-22	\$494.97	+0.03
London: 2-2222	1.00	September 22-23	\$499.02	+0.03
London: 2-2222	1.00	September 23-24	\$504.07	+0.03
London: 2-2222	1.00	September 24-25	\$509.12	+0.03
London: 2-2222	1.00	September 25-26	\$514.17	+0.03
London: 2-2222	1.00	September 26-27	\$519.22	+0.03
London: 2-2222	1.00	September 27-28	\$524.27	+0.03
London: 2-2222	1.00	September 28-29	\$529.32	+0.03
London: 2-2222	1.00	September 29-30	\$534.37	+0.03
London: 2-2222	1.00	September 30-31	\$539.42	+0.03
London: 2-2222	1.00	October 1-2	\$544.47	+0.03
London: 2-2222	1.00	October 2-3	\$549.52	+0.03
London: 2-2222	1.00	October 3-4	\$554.57	+0.03
London: 2-2222	1.00	October 4-5	\$559.62	+0.03
London: 2-2222	1.00	October 5-6	\$564.67	+0.03
London: 2-2222	1.00	October 6-7	\$569.72	+0.03
London: 2-2222	1.00	October 7-8	\$574.77	+0.03
London: 2-2222	1.00	October 8-9	\$579.82	+0.03
London: 2-2222	1.00	October 9-10	\$584.87	+0.03
London: 2-2222	1.00	October 10-11	\$589.92	+0.03
London: 2-2222	1.00	October 11-12	\$594.97	+0.03
London: 2-2222	1.00	October 12-13	\$599.02	+0.03
London: 2-2222	1.00	October 13-14	\$604.07	+0.03
London: 2-2222	1.00	October 14-15	\$609.12	+0.03
London: 2-2222	1.00	October 15-16	\$614.17	+0.03
London: 2-2222	1.00	October 16-17	\$619.22	+0.03
London: 2-2222	1.00	October 17-18	\$624.27	+0.03
London: 2-2222	1.00	October 18-19	\$629.32	+0.03
London: 2-2222	1.00	October 19-20	\$634.37	+0.03
London: 2-2222	1.00	October 20-21	\$639.42	+0.03
London: 2-2222	1.00	October 21-22	\$644.47	+0.03
London: 2-2222	1.00	October 22-23	\$649.52	+0.03
London: 2-2222	1.00	October 23-24	\$654.57	+0.03
London: 2-2222	1.00	October 24-25	\$659.62	+0.03
London: 2-2222	1.00	October 25-26	\$664.67	+0.03
London: 2-2222	1.00	October 26-27	\$669.72	+0.03
London: 2-2222	1.00	October 27-28	\$674.77	+0.03
London: 2-2222	1.00	October 28-29	\$679.82	+0.03
London: 2-2222	1.00	October 29-30	\$684.87	+0.03
London: 2-2222	1.00	October 30-31	\$689.92	+0.03
London: 2-2222	1.00	November 1-2	\$694.97	+0.03
London: 2-2222	1.00	November 2-3	\$699.02	+0.03
London: 2-2222	1.00	November 3-4	\$704.07	+0.03
London: 2-2222	1.00	November 4-5	\$709.12	+0.03
London: 2-2222	1.00	November 5-6	\$714.17	+0.03
London: 2-2222	1.00	November 6-7	\$719.22	+0.03
London: 2-2222	1.00	November 7-8	\$724.27	+0.03
London: 2-2222	1.00	November 8-9	\$729.32	+0.03
London: 2-2222	1.00	November 9-10	\$734.37	+0.03
London: 2-2222	1.00	November 10-11	\$739.42	+0.03
London: 2-2222	1.00	November 11-12	\$744.47	+0.03
London: 2-2222	1.00	November 12-13	\$749.52	+0.03
London: 2-2222	1.00	November 13-14	\$754.57	+0.03
London: 2-2222	1.00	November 14-15	\$759.62	+0.03
London: 2-2222	1.00	November 15-16	\$764.67	+0.03
London: 2-2222	1.00	November 16-17	\$769.72	+0.03
London: 2-2222	1.00	November 17-18	\$774.77	+0.03
London: 2-2222	1.00	November 18-19	\$779.82	+0.03
London: 2-2222	1.00	November 19-20	\$784.87	+0.03
London: 2-2222	1.00	November 20-21	\$789.92	+0.03
London: 2-2222	1.00	November 21-22	\$794.97	+0.03
London: 2-2222	1.00	November 22-23	\$799.02	+0.03
London: 2-2222	1.00	November 23-24	\$804.07	+0.03
London: 2-2222	1.00	November 24-25	\$809.12	+0.03
London: 2-2222	1.00	November 25-26	\$814.17	+0.03
London: 2-2222	1.00	November 26-27	\$819.22	+0.03
London: 2-2222	1.00	November 27-28	\$824.27	+0.03
London: 2-2222	1.00	November 28-29	\$829.32	+0.03
London: 2-2222	1.00	November 29-30	\$834.37	+0.03
London: 2-2222	1.00	November 30-31	\$839.42	+0.03
London: 2-2222	1.00	December 1-2	\$844.47	+0.03
London: 2-2222	1.00	December 2-3	\$849.52	+0.03
London: 2-2222	1.00	December 3-4	\$854.57	+0.03
London: 2-2222	1.00	December 4-5	\$859.62	+0.03
London: 2-2222	1.00	December 5-6	\$864.67	+0.03
London: 2-2222	1.00	December 6-7	\$869.72	+0.03
London: 2-2222	1.00	December 7-8	\$874.77	+0.03
London: 2-2222	1.00	December 8-9	\$879.82	+0.03
London: 2-2222	1.00	December 9-10	\$884.87	+0.03
London: 2-2222	1.00	December 10-11	\$889.92	+0.03
London: 2-2222	1.00	December 11-12	\$894.97	+0.03
London: 2-2222	1.00	December 12-13	\$899.02	+0.03
London: 2-2222	1.00	December 13-14	\$904.07	+0.03
London: 2-2222	1.00	December 14-15	\$909.12	+0.03
London: 2-2222	1.00	December 15-16	\$914.17	+0.03
London: 2-2222	1.00	December 16-17	\$919.22	+0.03
London: 2-2222	1.00	December 17-18	\$924.27	+0.03
London: 2-2222	1.00	December 18-19	\$929.32	+0.03
London: 2-2222	1.00	December 19-20	\$934.37	+0.03
London: 2-2222	1.00	December 20-21	\$939.42	+0.03
London: 2-2222	1.00	December 21-22	\$944.47	+0.03
London: 2-2222	1.00	December 22-23	\$949.52	+0.03
London: 2-2222	1.00	December 23-24	\$954.57	+0.03
London: 2-2222	1.00	December 24-25	\$959.62	+0.03
London: 2-2222	1.00	December 25-26	\$964.67	+0.03
London: 2-2222	1.00	December 26-27	\$969.72	+0.03
London: 2-2222	1.00	December 27-28	\$974.77	+0.03
London: 2-2222	1.00	December 28-29	\$979.82	+0.03
London: 2-2222	1.00	December 29-30	\$984.87	+0.03
London: 2-2222	1.00	December 30-31	\$989.92	+0.03
London: 2-2222	1.00	January 1-2	\$994.97	+0.03
London: 2-2222	1.00	January 2-3	\$999.02	+0.03
London: 2-2222	1.00	January 3-4	\$1004.07	+0.03
London: 2-2222	1.00	January 4-5	\$1009.12	+0.03
London: 2-2222	1.00	January 5-6	\$1014.17	+0.03
London: 2-2222	1.00	January 6-7	\$1019.22	+0.03
London: 2-2222	1.00	January 7-8	\$1024.27	+0.03
London: 2-2222	1.00	January 8-9	\$1029.32	+0.03
London: 2-2222	1.00	January 9-10	\$1034.37	+0.03
London: 2-2222	1.00	January 10-11	\$1039.42	+0.03
London: 2-2222	1.00	January 11-12	\$1044.47	+0.03
London: 2-2222	1.00	January 12-13	\$1049.52	+0.03
London: 2-2222	1.00	January 13-14	\$1054.57	+0.03
London: 2-2222	1.00	January 14-15	\$1059.62	+0.03
London: 2-2222	1.00	January 15-16	\$1064.67	+0.03
London: 2-2222	1.00	January 16-17	\$1069.72	+0.03
London: 2-2222	1.00	January 17-18	\$1074.77	+0.03
London: 2-2222	1.00	January 18-19	\$1079.82	+0.03
London: 2-2222	1.00	January 19-20	\$1084.87	+0.03
London: 2-2222	1.00	January 20-21	\$1089.92	+0.03
London: 2-2222	1.00	January 21-22	\$1094.97	+0.03
London: 2-2222	1.00	January 22-23	\$1099.02	+0.03
London: 2-2222	1.00	January 23-24	\$1104.07	+0.03
London: 2-2222	1.00	January 24-25	\$1109.12	+0.03
London: 2-2222	1.00	January 25-26	\$1114.17	+0.03
London: 2-2222	1.00	January 26-27	\$1119.22	+0.03
London: 2-2222	1.00	January 27-28	\$1124.27	+0.03
London: 2-2222	1.00	January 28-29	\$1129.32	+0.03
London: 2-2222	1.00	January 29-30	\$1134.37	+0.03
London: 2-2222	1.00	January 30-31	\$1139.42	+0.03
London: 2-2222	1.00	February 1-2	\$1144.47	+0.03
London: 2-2222	1.00	February 2-3	\$1149.52	+0.03
London: 2-2222	1.00	February 3-4	\$1154.57	+0.03
London: 2-2222	1.00	February 4-5	\$1159.62	+0.03
London: 2-2222	1.00	February 5-6	\$1164.67	+0.03
London: 2-2222	1.00	February 6-7	\$1169.72	+0.03
London: 2-2222	1.00	February 7-8	\$1174.77	+0.03
London: 2-2222	1.00	February 8-9	\$1179.82	+0.03
London: 2-2222	1.00	February 9-10	\$1184.87	+0.03
London: 2-2222	1.00	February 10-11	\$1189.92	+0.03
London: 2-2222	1.00	February 11-12	\$1194.97	+0.03
London: 2-2222	1.			

L.G. Index Limited 01-351 3466. Three month Silver 283.3-287.3  
29 Lamont Road, London SW10 0HS.

1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

---

**CLIVE INVESTMENTS LIMITED**  
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101

Index Guide as at 4th July 1978	(Base 100 at 14.1.77)
Clive Fixed Interest Capital	138.05
Clive Fixed Interest Income	114.14

---

**CORAL INDEX: Code 474-479**

---

**INSURANCE BASE RATES**

† Property Growth	101 %
† Vanbrugh Guaranteed	8.50%



## FINANCE LAND—Continued

[illegible]

**MOTOR TRADE PREMISES AND SITES FOR SALE**  
Throughout the Midlands  
**Grimley & son**  
Lutterworth 01530 2226  
Leicester 0533 502 1632

## Labour likely to be cautious on planning agreements

By JOHN ELLIOTT, INDUSTRIAL EDITOR

INDUSTRIAL POLICY proposals in the Labour Party's manifesto for the next general election are likely to adopt a cautious approach to the contentious issue of imposing planning agreements by law on Britain's largest companies.

Although the manifesto will discuss how such agreements could be enforced, it may well concentrate instead on proposing a wide range of other financial and industrial and planning procedures. These would be aimed at influencing and controlling inward and outward investment plans of companies, import levels for certain industries, and other Boardroom decisions.

These probable lines of policy are beginning to emerge from a major review of the party's attitude to industrial issues recently set up by the Prime Minister, the Labour Party's national executive committee, and the TUC.

The Prime Minister is anxious that Left-wing ambitions for sweeping industrial reforms should not appear in the manifesto and upset the harmony of the Government's

Industrial strategy. He is hoping that a new working party of members of the Labour national executive and the Cabinet will produce an acceptable draft policy.

This is one of several working parties covering such areas as economic affairs, prices, and social policy that have been set up to try to find common ground between the Labour Government and the national executive.

At the same time the TUC is exerting considerable influence on the development of policy on the manifesto through the TUC-Labour Party Liaison Committee.

The most radical proposals so far have emerged from the Labour Party's industrial policy committee which has passed a document on existing party policy to the joint Cabinet-executive working party.

This contains proposals that have horrified leaders of the Confederation of British Industry for enforcing planning agreements by law on companies with an annual turnover of more than £50m.

The committee also proposes giving the National Enterprise

Board £1bn a year to invest in industry and wants a National Planning Commission created to turn the Government's present industrial strategy into a more potent planning force.

This repetition of existing policy is likely to be changed considerably by the time it reaches the manifesto. But there will be some discussion in the manifesto of how planning agreements could be enforced because the idea of introducing sanctions against companies that refuse to co-operate has considerable backing among some Ministers and Labour Party leaders.

This could involve a similar exercise to the present pay policy sanctions where the granting of state industrial and export aid or public sector contracts depend on companies following Government policies.

But the TUC is showing less interest in the concept of compulsory planning agreements than it has in the past. The fact that such agreements might be difficult to enforce by law and might lead to a clash with leading industrialists and their companies, means that they may not be pushed for a year or two.

Specialist favourable terms for Government aid and special freedom to raise prices might be proposed, however, as inducements to companies which enter into such agreements.

At the same time the TUC wants a tripartite Government agency to exercise control over the investment plans at home and abroad of companies with business in the UK.

It also wants, as an extension of the industrial strategy's attempts to curb imports, to have agreements between British manufacturers and industrial customers on what share of the home market should be allowed to go to foreign competitors. As a start, such limits could be agreed in the public sector.

The manifesto is also likely to urge that more funds should be given to the National Enterprise Board which should develop a greater role in influencing regional policies. It will also back the work of the new Co-operative Development Agency and say that aid for both co-operatives and traditional small companies should be increased.

## £5bn gas pipeline network shelved

By Ray Dafter, Energy Correspondent

A SCHEME for building a £5bn North Sea pipeline network to gather natural gas from offshore fields is likely to be shelved by the Government as the result of an industry report to be published this week.

The Energy Department is expected to sanction a more modest proposal, costing nearer £1bn, for linking fields to existing gas pipelines. A start has already been made on this smaller scheme in the Brent Field area.

It seems that the department is not wholly satisfied with the findings of the Government's commission report prepared by the consultative Gas Gathering Pipelines Company.

Department officials have misgivings about the high costs of collecting gas from offshore fields and the viability of pipeline schemes. There is also some concern within Whitehall about the technical problems of pumping gas of different compositions into existing trunk gas pipelines built principally to carry fuel from the Brent and Frigg fields.

Gas Gathering Pipelines was formed from a group of State and private companies in order to advise the Government on the best way of collecting gas contained in a large number of fields which principally have crude oil reserves.

The department is anxious to make sure that as little as possible of this gas is flared into the atmosphere by companies whose main concern is in exploiting the oil reserves.

Reserves Various collection methods have been evaluated by the company and other advisory organisations; these include the construction of a pipeline network, the conversion of offshore gas into liquid fuel, or the generation of electricity for transmission to shore through cables.

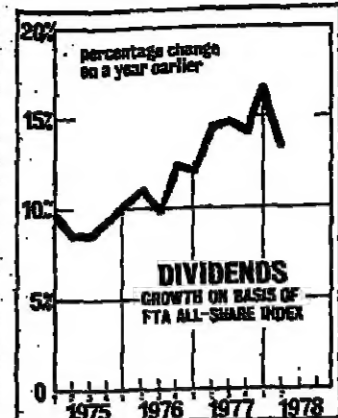
Members of the company—British National Oil Corporation, British Gas, ICI, Rio Tinto Zinc, ELF/Total and British Petroleum—are thought to have told the Government that while it is possible to link some fields to the existing Frigg and Brent gas lines, there is insufficient confirmed reserves to justify the construction of a new pipeline network.

However, the department is likely to emphasise this week that it has not abandoned the concept of a major gas gathering system in the late 1980s or 1990s.

Much will depend on whether further reserves are confirmed and, possibly more important, whether the Government will agree to some of the gas from the North Sea median line through a British system.

## THE LEX COLUMN

## Why dividends matter



Will they... won't they? Only the relentless passage of Old Father Time will, it seems, make up the Government's mind for it on dividend controls. Whitehall has resolutely failed to give allowance for the fact that companies paying dividends in August and September normally declare them in July or earlier. A decision on whether restraint should be extended, formally or informally, is being left until the last possible moment. It may be more than another week before the White Paper on the next stage of pay policy reveals the Government's thinking.

The crucial question is whether the Government will try to hold dividend growth to a specific level. A call for general but unquantified restraint would leave it largely up to companies to decide what would be a suitably "moderate" dividend policy. They would presumably determine this on the basis of their profits, achievements, and on the basis of the relationship of their share yields to the market average. Low yielders would feel justified in paying more.

A specific guideline, however, such as 5 or 7 per cent (in line with pay targets) would remove the subjective element and would perpetuate the existing anomalies. It would be a bearish signal for the market, which has been increasingly coming to anticipate a jump in dividend returns.

Over the last twelve months, dividends per share on the FT-All-Share Index have risen by 13.4 per cent, reflecting the number of companies which have found ways of circumventing the 10 per cent limit (though the decline in the number of rights issues has meant that the rate of increase has slipped back from over 16 per cent at the turn of the year).

Declared rises During the first two weeks of July, with Boards already allowing for the likely imminent demise of statutory dividend controls, declared dividends have increased by some 30 per cent compared with a year ago—taking an unweighted average for large and medium sized companies. But on a weighted basis, the increase has been 12 per cent.

Just to recap, the average yield on UK equities is now some 5½ per cent. That is covered three times on the basis of published historic cost accounts, but only about twice

on the Hyde basis of inflation accounting. Meanwhile yields on long dated gilt-edged stocks are in the region of 12½ to 13 per cent. In theory, therefore, the market is anticipating long term dividend growth at least of the order of 7½ per cent to make the valuation of equities look actuarially sound on an income basis.

New ceiling The imposition of a tighter dividend limit for the next year would pose short-term problems, but the market could take a longer view on the argument that at some stage an upward adjustment would be inevitable. Thus if dividends were to be entirely unfettered from the end of July an overall increase of between 20 and 30 per cent would be likely during the next year—heavily influenced by large rises from companies like Shell, BP and Unilever.

But a further extension of dividend controls might have more sinister implications. Continuous dividend restraint has now been in force for the best part of six years, and no moment could be more favourable now for abandoning it. Inflation, after all, is down to 7.4 per cent, overseas payments are in balance, sterling is steady in firm, and none of the elements of economic crisis are present. It is logical to argue that if dividend controls are not dropped now they will never be abandoned—at least not by a Labour Government.

Permanent dividend controls would have profound implications for the equity market. Such restraints are designed to make dividends move in line with wages or inflation (though are usually applied in such a way that they tend to lag both). They must have the effect of causing equities to move herd-

like in parallel with common influences, rather than to reflect individual company performance. In these conditions equities become crudely index-linked securities which still carry a downside risk (Reed, Spillers, Lyons) but no offsetting upside reward.

Ultimately such a system of permanent control might amount to part of an effort by the Government to crowd the private sector out of the long term capital market.

It has not yet got as bad as this, for the dividend control arrangements allow for a number of loopholes and there is the periodic possibility of a decontrolled phase during which anomalies can be ironed out (as they were between 1970 and 1972, for example). Yet as the years of controls drag on there is a danger that the underlying principle will be forgotten: that dividend growth is not a function of inflation, nor of the level of wage increases, but should simply reflect the success or failure of the individual company.

Governments can legitimately be concerned with overall trends in the corporate sector—should dividend growth be so high as to threaten liquidity levels, for instance, or cause labour unrest. But the right way for Governments to operate on profits or dividends is to use the tax mechanism in a way which affects companies as a whole without interfering with relative risks and rewards at the individual company level.

Ernest Jones After watching Robert Fleming flounder with the embarrassing oversubscriptions for Eurotherm and Cartiers Superfonds, Bill Samuel is trying its luck with a £1.7m issue for Jewellers Ernest Jones. It does not have quite the glamour of the other two and at least they are not peddling the prospectuses along with the jewellery, but there is no telling what the punters will think of it.

This latest issue is coming to the market on a multiple of 10 and offers a 7.1 per cent yield. Of course the company could have avoided all the fuss and bother by quietly plumping for a smaller placing but that would not have been so much fun. At least it gives the City a chance to show off to the Wilson Committee. Who said there was a shortage of equity finance?

## Credit card dispute may be settled

By Michael Blenden

HOLDERS OF the two big bank credit cards, Access and Barclaycard, may soon be given new statutory protection against faulty goods as a result of talks between the card organisations and the Office of Fair Trading.

The banks hope that in the next few weeks an agreement can be made with the OFT to settle an argument which has been going on since last year. The main result of the dispute has been to deprive a large number of cardholders of statutory protections implied by the terms of the Consumer Credit Act.

A section of this Act gave the individual the right to claim against the lender as well as the retailer for faulty goods bought on credit where the retailer has a direct agreement with the company providing the credit.

This provision came into force at the beginning of July last year, applying typically to the normal hire-purchase transaction where the retailer effectively acts as an agent for the lender. It provoked a dispute, however, over its application to credit cards.

The OFT contended that the rule should apply to people who held cards before the new rule went into force on July 1 last year, on the grounds that the issue of a replacement card represented a modification of the existing agreement between cardholder and company.

### Resisted

The card companies, however, have resisted the application of the new regulations to customers who held cards before they took effect. They have argued that a new agreement with a cardholder is made only when he first takes out a card.

The result has been to create two classes of cardholder, with only those who have taken cards after July 1 last year coming under the new protection.

The card companies maintain that they have always been prepared to take up the case of a dissatisfied customer with the retailer.

However, they are concerned that under the new rules they could find themselves liable for the whole cost of any goods purchased with the use of a card—even if no credit was taken—as well as consequential loss.

One way of reaching agreement in the talks might be for the credit card organisations' liability to be limited in some way, perhaps to the amount of credit actually given.

## Nigeria 10% tax hurdle faces foreign airlines

By DAVID FREUD

NIGERIA, Britain's ninth largest export market, is introducing heavy taxation on foreign airline and shipping companies.

The move, which the Nigerian Government says is an interim measure, could cause cash flow problems for some companies.

The tax on the two types of companies is set at 10 per cent of their Nigerian turnover on any cash they remit out of the country.

Greatest impact of this will be on companies which sell services in Nigeria but whose expenses are mainly incurred abroad—as is the case with foreign airlines. British Caledonian is the largest UK airline company operating to Nigeria.

Nigeria increasingly has become an important market for the UK and last year it bought more than £1.1bn-worth of British goods and services, more than any other country outside the U.S. and Europe. The UK provided about 10 per cent of

total imports into Nigeria. However, payments difficulties this year, due to falling oil revenues, and has banned some imports. Last week it announced that it was raising its second £1bn loan this year.

Some observers attribute this latest tax move to an attempt to gain extra revenue from foreign companies while adding further elements of discouragement to imports.

The new tax has been introduced following the scrapping of a section in the Nigerian Companies Tax Act 1961, which exempted from tax airlines and shipping companies based in countries offering reciprocal exemption to Nigerian companies.

At the same time the Nigerians have served notice of the ending of their double taxation agreement with nine countries, including the UK.

This means that the new tax will apply to companies resident in those nine countries when the treaties expire, from next April. The countries concerned are: the UK, U.S., Ghana, Sierra Leone, Gambia, New Zealand, Sweden, Denmark and Norway.

The Nigerians say that the 10 per cent levy will be held on account until Corporation Tax returns are assessed and filed. The Nigerian rate is 45 per cent on profits rising to 50 per cent. Refunds or additional assessments will then be made.

An alternative would be for new double taxation agreements to be made, incorporating a reciprocal no-tax arrangement. This would be specially relevant to the UK, which generally does not tax foreign airline and shipping companies.

However, negotiations on replacement treaties are not thought to have started and it could be many years before they are agreed.

Political reforms, Page 2

## Turkey seeks \$100m loan

FINANCIAL TIMES REPORTER

TURKEY IS planning to raise \$100m from international banks, the loan to be guaranteed by the Libyan Arab Foreign Bank.

The loan will be for five years at margins over inter-bank rates which are close to the finest available in the market—3½ of a point for the first two years and 4½ for the last three. Arrangements are to be handled by Arab African Foreign Bank, Gulf International Bank, UBAF and Citicorp International.

The new \$100m loan marks another step in the ties developing between Libya and Turkey.

It is clear that a number of major international commercial banks are considering what the Turks call constructive remittance schemes—arrangements whereby the repayment date for

debts which should have been repaid to overseas suppliers of goods and services during the last 18 months is pushed seven years into the future.

The plan is that foreign commercial banks should make seven-year loans to the suppliers, with the loans guarantee not only of Turkey but also by the suppliers themselves. Hitherto, Citibank has been the only bank known to be considering such a scheme, but now some other American banks and several Continental European banks are interested.

Continental sources say that Turkey is considering the appointment of a team of foreign banks to advise it on its debt rescheduling. The team would reportedly comprise Kuhn Loeb Lehman Brothers, S. G. Warburg

and Lazard Frères—who have already advised Indonesia and Gabon.

The widespread interest in the constructive remittance scheme suggests that this could become a major plank in plans to resolve the problem of the debt overhang to suppliers. However, international bankers say that there is little, if any, chance of the scheme being implemented if Turkey continues to insist that suppliers must agree to guarantee new loans of the same amount as sums overdue if they are to be repaid.

In addition, it seems unlikely that negotiations on the schemes would be completed before the \$2.5bn rescheduling of debt owed to commercial banks.

Euromarkets, Page 36

## Options exchange may expand

By MARGARET REID

THE EUROPEAN Options Exchange, based in Amsterdam, which opened in April as Europe's first venture in traded share options, is planning a major extension of its business by introducing "put" trading in October.

The exchange, like the slightly younger London traded options market, has so far dealt only in "call" options. These allow investors to buy and sell options to purchase shares over a future period at a pre-fixed price.

"Put" trading, by contrast, enables investors to buy and sell options to dispose of shares over

a future period at a pre-determined price. It can be of more interest in conditions of falling stock markets.

No final decisions about the launching of "put" trading has yet been taken but plans for introducing the facility in October are now far advanced.

The move is one of several in a programme designed to boost activity on the European Options Exchange, which has so far got off to a rather slow start, with daily deals still below 1,000, compared with an ultimate objective of some 7,000.

Other measures planned are

the introduction of options on French and German shares, provided negotiations with those countries succeed, and a major publicity campaign.

The number of shares in which options are traded has already been increased from nine at the start of business in April to 24.

These are Dutch or American—apart from three British companies in which, effectively, no option trading has yet taken place because of the rivalry of the London market and certain technical and other difficulties.

Feature, Page 31

## More staff in medical insurance

By Eric Short

THE REVIVAL in the use of medical insurance as a fringe benefit for employees continues unabated, according to membership figures issued by the three leading medical insurance agencies British United Provident Association, Private Patients Plan, and Western Provident Association.

These three agencies, which account for 88 per cent of the medical insurance market, increased group membership by over 27,000 to 610,540, over the first half of this year.

In 1975 and 1976 membership of group schemes either remained static or fell slightly, mainly as a result of Phases One and Two of the pay policy.

But when Phase Three came into effect employers again showed interest in taking out medical insurance schemes for employees and there was an upsurge in business over the second half of last year, with a net rise of over 20,000 on the year.

The recovery has continued this year even though the cost of providing medical insurance has to count as part of a Phase Three pay rise limited to 10 per cent.

The three agencies named have all recently launched new plans designed to meet the needs of employers in providing medical insurance cover. This has further stimulated interest.

On the individual membership side, however, the figures show continuation of the steady decline in membership seen over the past seven years. The associations had a combined drop in membership of more than 7,000 to 466,881 in the first half of this year, although Western Provident showed an increase.

The rising costs of private medical treatment have meant that contributions have had to be put up to a figure too expensive for many members.

## Weather

London, S.E. England, E. Anglia, Cent. S. England, Midlands, S. Wales  
Dry. Sunny periods. Max. 19C-21C (66F-70F).

Channel Isles, S.W. England  
Isolated thundery showers. Max. 18C-19C (64F-66F).

N. Wales, N.W. England, Isle of Man, Central N. England  
Mainly dry. Sunny intervals. Max. 17C-18C (63F-64F).

Edinburgh, Dundee, Aberdeen, Glasgow  
Occasional rain or drizzle after sunny spells. Max. 15C-16C (59F-61F).

Central Highlands, Moray Firth, N.E., N.W. Scotland, Argyll, S.W. Scotland, N. Ireland, Orkney, Shetland  
Occasional rain or drizzle. Max. 15C-16C (59F-61F).

BUSINESS CENTRES  
Y-day Midday V-day Midday  
Amsterdam S 30 16 Madrid S 17 17  
Athens S 30 16 Manchester S 13 29  
Bahrain S 24 07 Melbourne S 4 46  
Buenos Aires S 23 07 Milan S 18 41  
Buenos Aires S 23 07 Montreal S 25 79  
Cairo S 23 07 Moscow S 22 72  
Canton S 23 07 New York S 21 72  
Cebu S 23 07 Paris S 21 72  
Colon S 23 07 Rome S 21 72  
Copenhagen S 23 07 Singapore S 21 72  
Frankfurt S 23 07 Stockholm S 21 72  
Geneva S 23 07 Surabaya S 21 72  
Glasgow S 23 07 Taipei S 21 72  
Hankow S 23 07 Tel Aviv S 21 72  
Hong Kong S 23 07 Tokyo S 21 72  
Kobe S 23 07 Toronto S 21 72  
Lagos S 23 07 Vienna S 21 72  
London S 23 07 Warsaw S 21 72  
Lyons S 23 07 Zurich S 21 72

HOLIDAY RESORTS  
Ajaccio S 24 73 Jersey S 21 70  
Alderney S 24 73 Las Palmas S 24 73  
Bastia S 24 73 Lucerne S 24 73  
Bordeaux S 24 73 Luxembourg S 24 73  
Brest S 24 73 Madeira S 24 73  
Cannes S 24 73 Malaga S 24 73  
Cape Town S 24 73 Naples S 24 73  
Cebu S 24 73 Nice S 24 73  
Colon S 24 73 Palermo S 24 73  
Copenhagen S 24 73 Rhodes S 24 73  
Frankfurt S 24 73 Salzburg S 24 73  
Geneva S 24 73 Tenerife S 24 73  
Glasgow S 24 73 Thessalonica S 24 73  
Hankow S 24 73 Tokyo S 24 73  
Hong Kong S 24 73 Toronto S 24 73  
Kobe S 24 73 Vienna S 24 73  
Lagos S 24 73 Warsaw S 24 73  
Lyons S 24 73 Zurich S 24 73

## NOTICE OF REDEMPTION

to the holders of:  
**ORIENT LEASING (CARIBBEAN) N.V.**

9½% Guaranteed Notes 1981

Notice is hereby given that pursuant to the provisions of the Notes, Manufacturers Hanover Limited, as Fiscal Agent, has selected for redemption on 15th August 1978 at 100% of the principal amount thereof, U.S. \$3,500,000 principal amount of said Notes bearing the following designation numbers:

8	173	339	508	677	773	808	1043	3201	2372
16	180	342	509	678	775	809	1036	3211	2375
24	209	343	510	679	776	810	1037	3212	2376
25	208	351	528	647	781	806	1038	3240	2379
28	212	352	529	648	782	807	917	3075	2380
41	213	350	546	696	801	802	918	3076	2387
48	214	358	557	670	806	809	1064	3266	2388
49	231	368	578	688	811	812	1065	3267	2389
58	238	384	583	679	815	817	1110	3279	2397
65	240	408	554	681	839	830	1110	3275	2398
72	247	409	556	686	842	840	1111	3283	2404
81	268	434	579	693	834	827	1124	3284	2405
89	278	440	586	694	837	834	1125	3286	2407
100	279	457	597	705	847	847	1126	3286	2408
108	292	458	583	711	874	874	1127	3310	2409
124	302	457	618	717	876	877	1165	3312	2416
130	303	486	620	718	882	890	1166	3313	2425
131	308	489	621	719	888	890	1172	3315	2426
135	310	484	622	720	889	890	1182	3316	2427
148	317	499	628	735	890	7008	2192	3354	2435